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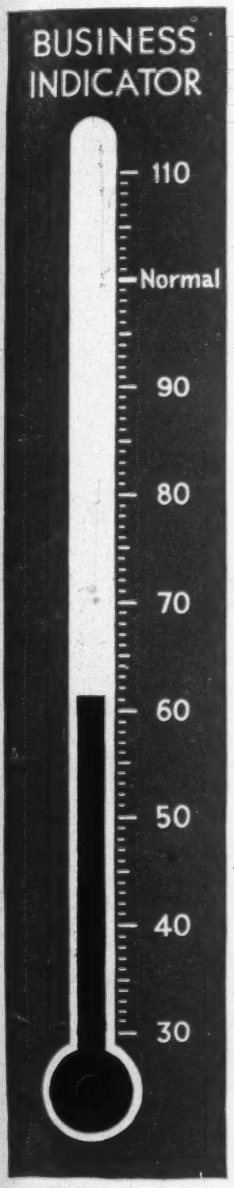
FEB 10, 1932

THE BUSINESS WEEK



On balance the level of business activity shows signs of slight weakening as the second month of the year starts . . . . In only a few lines—steel, shoes, textiles, automobiles—have there been any indications of the usual spring stimulus so far, and these have been mild . . . . Steel production of late has slackened slightly; carloadings and electric power production still show no improvement; commodity price averages have slowly sagged since the outset of the year . . . . The sharp decline in building contracts, particularly in public works projects, during January is depressing . . . . It is difficult to see how drastic reductions in purchasing power of construction and railroad workers can be expected to increase activity in these two basic industries; and the indifferent response of securities markets shows that they also have their doubts on this score. Although the amicable outcome of railroad labor negotiations should supply a more solid basis for the bond market, the day when wage cuts were considered a bull-point for stocks has probably passed . . . . All eyes are now on the Reconstruction Corporation as it commences its attack on the crucial credit problem, and as the President appeals to the country to cooperate in checking deflation by halting hoarding . . . . The retarded rate of bank credit contraction and bank suspensions in recent weeks is an encouraging indication of favorable effect of the Administration's efforts on confidence . . . . Business revival and stabilization in security and commodity markets now depend altogether upon the success with which this strategy stems and turns the tide of credit liquidation during the next few months.

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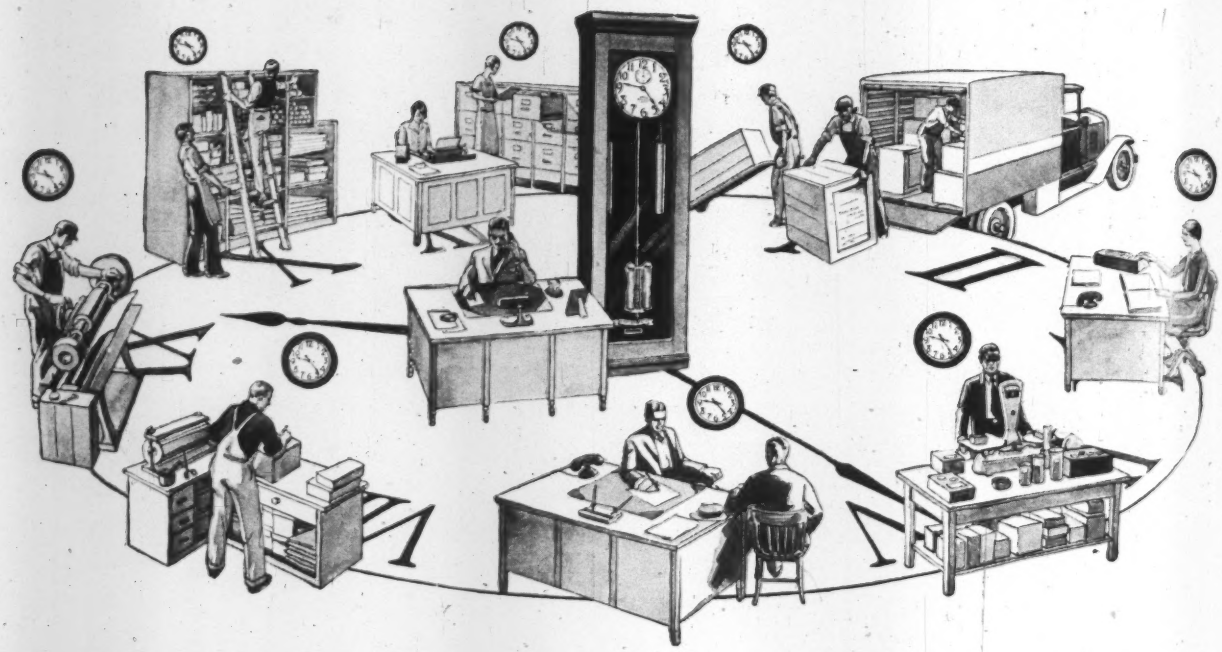

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This Business Week:

Railroads

Two men signed a paper: Willard, who could not smile; Robertson, leader of labor's lost cause. The roads gained a respite; banks and bondholders breathed easier. The men lost the long fight to be recognized as partners, for better or worse, in the business. Hard times, not the railroads, won the wage cut. *(p. 5; Editorial, p. 40)*

The railroads, the shippers, and the I.C.C. seem agreed on flexible rate making to permit the roads to earn more money in good times to carry them over the bad. Congress might approve, but whether it would go further and return excess earnings already "recaptured" is something else again. *(p. 6)*

Marketing

A new industry enters the mass-market stage: air-conditioning follows the path blazed by radio and electric refrigeration. The hand that shakes the furnace will soon be turning on the cold, turning off the humidity. *(p. 9)*

Dry goods wholesalers, through their Institute, are reforming their selling to conform with hand-to-mouth buying. Selective distribution is their solution. *(p. 11)*

The current quip is that the return of cigar coupons is the answer to the "what'll we use for money" question. In any event, trading stamps and premiums, other small discounts to steady customers, are coming back, perhaps because pennies are once again important. *(p. 12)*

West Coast fishermen blame a failing market on the fact that American-born East Siders don't like the smell of herring. *(p. 12)*

General Motors spreads out, with a second line to Frigidaires, and with gas refrigerators. *(p. 9)* Eastman brings out Kodapak, a new transparent wrapping, and Cellophane sues its only other competitor, Sylphrap. *(p. 10)* Pepperell thinks it's time to raise prices. *(p. 10)*

Taxes

Oil companies, for their own protection, are doing a good deal to stop gasoline tax evasion. In Kansas, for instance, December tax collections were $661,000 higher than in 1930, although gas sales were 6% lower! Nevertheless, the racket is too big, too profitable, to stop with present facilities for enforcement. *(p. 16)*

Radio

Senator Couzens is annoyed by the amount of advertising that citizens must absorb to listen to Brahms, Bach, and Bing Crosby. If sponsors and stations are not worried, it is because sets turned off in disgust don't show on control boards. *(p. 18)*

Relief

Congress fears the dread word "dole," but at the bottom of Capitol Hill there is increasing pressure for some kind of government aid to bolster inadequate local resources. *(p. 22)*

Labor

How much is "prevailing wages"? Contractors and workers on federal building jobs ask definition and enforcement, extension of the law to all government construction. *(p. 23)*

Foreign

Japan's chastisement of China was viewed with little alarm while it was confined to Manchurian pants; since the Shanghai gesture, the not-too-innocent bystanders have been moved to protest. Japan's anxiety, admittedly bad-tempered, is understandable: half her foreign investments are in China; only 5% of Britain's, 2% of ours. In spite of popular indignation and Floyd Gibbons' efforts to sell papers, business is pretty calm about the whole affair. *(p. 28)*

Germany, working to get export credits, is trying to stop the flight of manufactures over the British tariff wall. *(p.29)* Unemployment is catching up on France. *(p. 30)*

World business is still blocked by the Chinese crisis, by the delay of Franco-British reparations conversations, and by increasing foreign fear of inflation and heightened trade barriers. *(Survey, p. 31)*

Washington

The old rumble-bumble protectionist tariff is squeaking to a standstill. What this country needs, and must some day get, is a new world-trade machine complete with compensator, balance wheel, and automatic lurication. *(p. 27)*

Current Capitol reactions to the Glass Bill are confused; few senators have read it; many members of both houses will follow Glass blindly; bankers are organizing the opposition. *(p. 24)*

Figures

Seasonal improvement failed to materialize: the Business Indicator hits a new low. *(p. 35)*

Finance

Earnings reports merely confirm the popular impression that business is what it is. There is, to be sure, a gallant little band of hard-times successes, but there are always some people who come out of a shipwreck with a fish in each hand. *(p. 7)*

Hoarding again increases; the Federal Reserve is still inactive; France is all too active in gold. But deflation is slowing; the Reconstruction Corp. has started; Mellon's going to London may iron out difficulties abroad. *(p. 37)*

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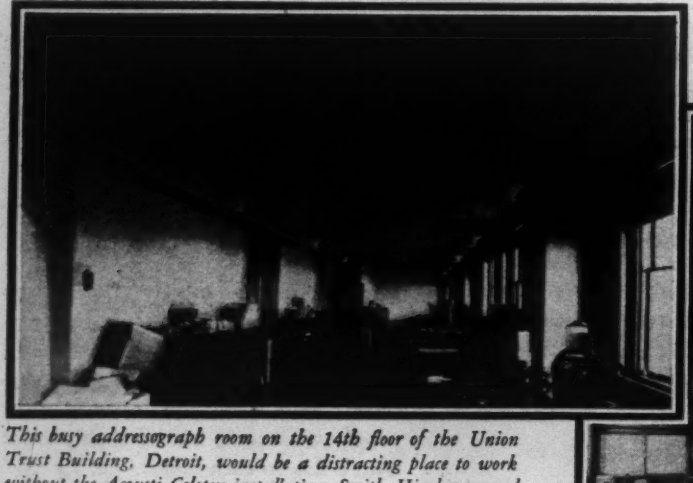

This busy addressograph room on the 14th floor of the Union Trust Building, Detroit, would be a distracting place to work without the Acousti-Celotex installation. Smith, Hinchman and Grylls, Architects

Acousti-Celotex sound absorbing tiles on the ceiling of the General Offices, Pittsburgh Plate Glass Company, Pittsburgh, Pa.

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending February 6, 1932

While the Railroads Won 10%, The Unions Lost a Partnership

Labor's real defeat at Chicago was its failure to win recognition for an historic principle

MOST of the discussions on the Chicago rail settlement revolve about the effect of the 10% wage cut, accepted by 20 unions, on railroad finances and business in general. Important as this is, it is exceeded in significance by the railroad labor's stand on employment.

When the brotherhoods submitted their several schemes for unemployment relief and stabilization of work, they were asking as the price of a reduction in pay, open recognition of organized labor as partner in the railroad industry.

That was the ultimate significance of their employment security program, with its demand for a guarantee of minimum work, protection of employee interests in case of railroad consolidations, allocation of wage cut proceeds for additional work, recognition of unions on a national rather than regional basis, as heretofore.

Just "Cooperation"

By force of circumstances the railroads were able to stave off all these demands. They agreed only to do everything "practicable" to stabilize and increase employment, leaving the question to be handled by local negotiation on each road. Concerning the proposed new status for labor unions, they would go no farther than to express their entire approval of "whole-hearted cooperation between management and employees" and of doing "everything they can in support of this policy."

They refused to allow labor any supervision over the wage cut fund (holding this to be a management matter), to recommend to Congress a $1-billion loan issue for grade-crossing elimination, or to undertake with the unions a joint study of the feasibility of the 6-hour day, which Congress has now ordered the Interstate Commerce Commission to investigate. Nor would the roads agree to the unions' plan for the coordination of train crews and train lengths. To labor's proposal for the establishment of payroll reserves, they accepted "in principle" the policy of creating reserves "not to be restricted to any one purpose" and for use in times of depression.

The 2 concessions won by the brotherhoods, both of minor importance, relate to the establishment of regional employment bureaus and the appointment of a joint committee to study pensions, elective workmen's compensation, and dismissal wage.

Defeated by Depression

It was a strong battle that the union leaders put up for their employment security program, in which they were more interested than in the loss of 10% in wages. But the pressure of times made it a loser's fight from the start.

The wage cut will be in effect for one year beginning Feb. 1, after which period it may be changed or abrogated by any road or union on 30 days' notice, but without prejudice to other roads and unions. It will save the carriers $200 millions or more.

The wage settlement will bring temporary relief to the railroads, but does not solve their difficulty. It is not expected that the cut will have much effect on railroad earnings and buying power, or that it will stimulate business. As long as traffic continues at its present low level, the excess over fixed charges will be small.

No Splurging Expected

The carriers will, no doubt, be in a better position to catch up somewhat in their deferred rail buying. But there is no likelihood of increased equipment purchases for some time, conditions being what they are.

Simultaneously with the rail wage accord, came announcement of the pay agreement made by L. F. Loree's Delaware & Hudson with its engineers. This railroad was not represented at the Chicago conference, since it has private contracts with its employees, most of whom are not in the brotherhoods but are organized in company unions.

The unique feature of the new D. & H. plan, on the basis of which negotiations are being carried with the other employees, is that it fixes the pay of engineers by the month instead of by the mile. Regular engineers are guaranteed 8 hours of work a day, 240 hours a month, at $1.25 an hour. The extras are assured of 160 hours a month at the same rate of pay per hour. Overtime is to be at the regular rate, instead of the previous time and a half basis.

Advantage of the plan to the company is a reduction in labor costs as result of lower rate of pay to each employee. Advantage to the employee is the guarantee of minimum employment which the brotherhoods sought in Chicago but did not obtain.

The astute Mr. Loree again has shown how to meet a crisis.

Trucks Win First Decision On Store-Door Rate Cuts

THE practice, inaugurated by some railroads in their struggle with motor trucks, of charging less for a complete store-door pickup and delivery service than for all-rail shipments, has been challenged by truck carriers and competing railways on the ground that it is discriminatory, therefore illegal. Protests have been raised in Massachusetts, Kansas, and California.

The first decision to be handed down is by the California Railroad Commission, involving the right of the Southern Pacific and the Pacific Electric Railway to maintain 2 sets of tariffs, one for freight carried by themselves and a lower one for shipments made via their subsidiary, Pacific Motor Transport.

The commission upheld the contentions of the protesting truck lines that this was illegal, ordered the 2 railroads to stop it within 40 days. It also directed the Pacific Motor Transport Co. to discontinue truck operations between certain California points until the company has obtained a "certificate of public convenience and necessity."

Although the Railroad Commission's

opinion is hailed as a victory by the truck operators, the 2 railroads feel that they also have won a victory in that the commission has established the legality of operations by the Pacific Motor Transport, which the truck operators contended had been illegally organized.

Another development in the war between the railroads and truck operators is the formation of Allied Truck Owners, with offices in San Francisco, Los Angeles, Fresno and Sacramento. Its object is statewide organization of the California motor truck industry, embracing 50,000 truck owners with 230,000 trucks, manufacturers and dealers in equipment and accessories, and employing about 300,000 men.

Roads Offer "Flexible Rule" To Guide Rate Legislation

THE outlook for railroad legislation improved considerably this week on evidence that the roads, shippers, and the federal and state regulatory bodies had virtually agreed on a flexible rule of freight rate-making as a substitute for Section 15a of the Transportation Act.

It is a simple formula with no arithmetic, no reference to "valuation" or "fair return."

As tentatively drafted by Alfred P. Thom, general counsel of the Association of Railway Executives, it reads:

"In the exercise of its power to prescribe just and reasonable rates, the Commission shall give due consideration, among other things, to the existing needs of the public for adequate and efficient transportation facilities and service, to the necessity for enlarging and improving such facilities and service to provide for the growing transportation needs of the public, to the effect of proposed rates on the movement of traffic and to the necessity, in the public interest, that the carriers furnish transportation service at the lowest rates consistent with adequate service and adequate provision for the transportation needs of the public."

No Fixed Percentage

This agreement means that the railroads will not insist upon a fixed percentage of return on valuation or any other base; that the government is expected to give up its recapture rights and wipe out the valuation procedure—but with such acknowledgment of the revenue needs of the roads as will assure investors that it has not abdicated all interest in their financial welfare.

Whether the House Committee on Interstate Commerce will have the courage to recommend retroactive repeal of recapture is still uncertain. But, as this is a major factor in the legislation on which all parties are substantially in accord, it is equally doubtful whether the committee can propose an alternative that would command such unanimous support.

During the life of Section 15a, rail carriers as a whole fell short by $3½ billions of earning 5¾% (the "fair return" allowed them) on the commission's valuation base ($24½ billions in 1930). Although there are "recapturable" excess earnings—$200 millions to $378 millions—still to be collected, nearly half of this amount (42%) was made by the Pocahontas roads (Chesapeake & Ohio, Virginian, Hocking Valley, Norfolk & Western) and lines controlled by U. S. Steel (principally the Duluth, Missabe & Northern, Elgin, Joliet & Eastern, Bessemer & Lake Erie).

Both the I.C.C. and shippers, as represented by the National Industrial Traffic League, are willing to have the new law specify that maintenance of railroad credit be considered as one of the factors in rate-making. Thom's draft of the formula, however, eliminates direct reference to this condition.

The general counsel of the railway executives' association describes recapture as a legislative blunder and declares that if this is recognized there is no need for valuation as rates must be governed by economic conditions. For that reason, he says, the railroads are in favor of the I.C.C.'s bill declaring that a drop in revenues in times of depression, a rise in times of prosperity, should not be the criterion for raising or lowering rates, but that the commission should seek to maintain a rate level which, in the long run, will produce revenues consistent with the standards set up.

Particularly eager for the repeal of recapture are the short line railroads, which have contributed heavily to the $11-million fund so far collected by the Treasury in excess earnings (*BW—Dec 9'31*). Meeting in Washington this week to formulate a policy on pending legislation, they urged full and final repeal of recapture for the past as well as future. They also went in favor of a

Acme

RAILROAD RECONSTRUCTION—*Daniel Willard signs the wage agreement. David Robertson, representing the unions, acquiesces. The roads win a breathing space; the unions sacrifice security to the pressure of the times*

flexible rate-making formula, as suggested by Thom, agreed with interstate bus regulation, but opposed I.C.C.'s proposals for putting a curb on reciprocity in railroad purchasing and routing of shipments (*BW—Feb3'32*).

Block Cotton Restriction In Biggest Cotton State

THE prospect of reducing Southern cotton acreage by law has been thrown into further doubt by a district court ruling that the Texas law to restrict cotton planting 30% was unconstitutional.

Enforcement of the law, said the court, would be tyrannical and destructive of the fundamental principles of free government.

Unless this decision is reversed, the South's ambitious legislative venture into cotton restriction will be deprived of the cooperation of its largest producer. Moreover, the Louisiana and Mississippi acreage control laws have already been written off the statute books. Legal restriction of acreage by the other states would reach relatively small dimensions. And, beyond all this, it remains hard to see how such laws, even if held constitutional, could be carried out effectively.

These Companies Beat 1930 Earnings Records

Company	Net Income 1931	Net Income 1930	% Incr. over 1930
Auburn Auto	3,579,848	1,018,331	251.5
Brown Shoe	1,356,179	1,334,042	1.6
Copeland Products	314,411	107,039	193.8
Detroit Edison	11,429,135	11,116,667	2.8
Devoe & Raynolds	334,590	132,299	152.7
Eastern Utilities Association	2,162,198	1,971,016	9.6
Endicott-Johnson	[1]2,580,560	765,268	.....
Fajardo Sugar	226,009	222,817	1.4
Firestone Tire & Rubber	4,219,270	1,541,034	173.6
Glidden Co	172,250	d 18,635	.....
Hollander (A.) & Sons	542,611	273,625	98.4
Kansas City Power & Light	4,516,972	4,030,295	12.0
Kelvinator	1,761,709	1,601,016	10.0
Manhattan Shirt	102,312	d 296,826	.....
Montreal Light, Heat & Power	9,766,921	8,943,584	9.2
New England Tel. & Tel	11,675,225	11,432,023	2.1
Pacific Lighting	8,020,125	7,969,466	0.6
Peoples Gas Light & Coke	7,561,582	7,197,072	5.1
Reynolds (R. J.) Tobacco	36,396,817	34,256,665	6.3
Teck-Hughes	3,311,591	3,051,837	8.5
Union Bag & Paper Co	112,584	d 155,283	.....
United Corp	18,445,327	16,079,527	14.7
United Gas Improvement	34,750,115	32,810,744	5.8
U. S. Radio-Television	801,588	365,467	119.2

d Deficit. [1] 11 months.

Standard Statistics

By Test of First 354 Reports, 1931 Brought Earnings Down 45%

Hard work and rigid economy cut some losses, put a few concerns ahead—even last year

THE 1931 earnings reports which are now coming out merely fill in the details on the well-known story of 1931.

The first 354 companies to report to Standard Statistics show an aggregate income decline of 45% from 1930, 70% from the 1929 peak. Railroads were cut 59%, industrial companies 51.2%, utilities 6.6%. The breakdown by industries is set forth in an accompanying table. Another table lists the gallant or fortunate few among the companies so far reporting which successfully breasted the tide.

Such earnings as were garnered in the bewildering 12 months came only after the most difficult kind of struggle. They represent harder work, greater economy. Incidentally, they fell off considerably more than either dividends or wage payments, so far as can be concluded from the inadequate measurements as yet available.

Surplus Deflated

Too few balance sheets have been published to permit informative and representative tabulation, but those that have come out clearly reflect the earnings situation. Surplus in the aggregate has been heavily deflated while serving as a cushion for wages and dividends. Inventories are likewise down, partly due to revaluations at lower prices, partly to a decided reduction in volume. This cut in volume is, of course, significant in any estimation of outlook. It means that, at some time, restocking will have to be done.

Deficits Increased

The number of companies showing deficits increased appreciably. Compilations by the National City Bank covering 313 companies show that, while 64 had deficits totaling $36 millions in 1930, 123 of the same group were in the red in 1931 for a total of $99 millions.

The significance of the earnings decline has, of course, forced itself into general recognition. The story it tells is graphically illustrated by the picture of what has happened to security prices, employment, dividends, tax payments, and company debt structures.

At times during the year indications of improvement occurred, only to prove illusory. The seasonal rise of industrial profits in the second quarter looked

hopeful, earnings being only 40% below totals in the same quarter of the preceding year, whereas those for the first quarter had been 57% off. But third-quarter reports washed out the gains as they dropped 58% behind the showing for 1930.

Railroad earnings narrowed the gap between comparable 1930 and 1931 totals as the year advanced. The first quarter was 67% behind, the second quarter but 56%, the third quarter only 48%. Utility earnings, on the other hand, lost ground, being ahead of 1930 in the first half, dropping behind in the second.

Year-End Adjustments

Fourth-quarter income is rarely tabulated separately. Writedowns on inventory, investments, plant, and equipment occur at the end of the year, and these adjustments prevent the totals evolved from reflecting the actual course of business during the last 3 months. Their effect can be shown by inference in the classifications included in the table of earnings by industries. Some of the groups reveal percentage change for the year decidedly different from that for the 9 months (*BW—Nov18'31*). But a study of the detailed figures on which the table was built indicates that American business spent the last quarter of 1931 deep in the doldrums.

Each Family's Share Of U. S. Wealth $10,961

EVERY family in the United States would have had $10,961 capital and an annual income of $2,366 if the 1930 national wealth and income had been divided equally, says the National Industrial Conference Board. National wealth in 1930 dropped $32.1 billions or 8.9% from 1929 and national income decreased during the year by $14 billions or 16.4%.

Total national wealth was $329.7 billions and national income was $71 billions in 1930. Per capita wealth was $2,677 compared with $2,977 in 1929 and per capita income was $578 compared with $701 in 1929. Wealth per gainfully employed worker, including the unemployed, was $6,728 in 1930 and the average income of this group was $1,452.

The term national wealth represents tangible, physical assets only, not their ownership. It excludes credits and securities but includes land and structures, equipment of industrial enterprises and farms, livestock, railroads and other public utilities, personal property, gold and silver coin and bullion. National income is equivalent to the sum of all personal income received by all individuals in the country, plus business savings.

Lead Slag Becomes Insulating Material

LEAD blast furnace slag, formerly sent to the scrap heap, is now converted into wool, whence a number of heat-insulating materials. Among the products turned out are blanket insulation, pipe covering, insulating cements and fillers. The process is a development of the Eagle-Picher Lead Co.

The insulating wool is said to be adapted for both low and high temperature, up to 1,200 deg. F. Advantages claimed are remarkably low conductivity, light weight, absence of sulphur, low iron content, vermin- and fireproof properties.

For home insulation, the wool is passed through revolving screen trommels, which change it into a mass of small, loosely packed balls, then blown into place by a pneumatic machine mounted on a truck. In insulating railroad locomotives, tank cars, drying ovens, and other high-temperature equipment, the wool is felted between metal fabrics. The same is done in the case of pipe insulation.

1931 Earnings By Industries

Number and Classification		% Change from 1930
6	Advertising	—42.6
7	Automobiles, Trucks	—34.9
15	Auto. Parts, Tires	D to E
31	Building	—54.8
7	Chemicals, Fertilizer	— 8.7
3	Coal	E to D
6	Elec. Equip., Radio	+D
40	Food Products	—71.7†
8	Household Products	+10.3
7	Leather & Shoes	—28.6
18	Machinery	—96.1
1	Medicine, Drugs, etc.	....*
5	Non-Ferrous Metals	E to D
41	Misc. Securities	—61.9
1	Office & Bus. Equip.	....*
6	Oil	—88.2
6	Paper	—60.7
1	Railroad Equipment	....*
15	Retail Trade	—16.1
3	Shipping	E to D
14	Steel	—90.6
11	Sugar	+D
39	Textile & Apparel	+D
5	Theaters	—80.3
7	Tobacco	+ 1.5
303	Total Industrials	—51.2
30	Utilities	— 6.6
21	Railroads	—59.1
354	Total Corporations	—45.0
41	Canadian Industrials	—30.0
4	Canadian Utilities	+ 6.8

E to D—Earnings to Deficit. D to E—Deficit to Earnings. +D—Larger Deficit. *—Not computed since data from a single company would not be representative. †—Higher than representative for the industry because some large companies have not yet reported.

Standard Statistics

Puget Sound Develops New Oyster Industry

PUGET SOUND is developing the oyster industry. Promoters selling the land also offer to furnish seed, plant it, care for the oysters, harvest and market them, for 10% of the returns. Buyers pay half cash, and cash for the seed; the balance of their debt is payable in 2 years.

Oyster land is sold at $500 an acre; 10 cases of seed to the acre cost $55. Growth of the Japanese oyster is so rapid that returns from an investment are guaranteed within a year. The operating company contracts with the land owner for a term of 3 years, renewal at owner's option.

Each case of seed has a guarantee of 20,000 oysters, an expectancy of 40,000. This means a minimum yield of 200,000 bivalves per acre; average selling price is ½¢. Planting is done in March, the crop is harvested the following November when oysters 4 inches in length are taken.

The company has devised a new type of harvesting rake that eliminates all hand labor. It is attached to the forward end of a scow, propelled by a tug, and goes over the fields at high tide, when the water is 6 to 8 feet deep.

Japanese seedmen have offered to take their pay in canned oysters. A large chain is seeking a contract to take the entire output of the field. Most of the harvest is steam canned, the rest is sold fresh.

Ideal Feeding Grounds

The waters selected in northern Puget Sound are declared ideal for oyster culture. The bottom is sandy, with 1½ inches of silt, the water has 15% to 20% salinity. A number of rivers give ample diatone content for feeding. Tide rise is about 6 feet and with each tide the area is swept by currents. There is no danger of pollution. The warm Japan current makes average water temperature, March to November, 66 to 68 degrees F; in summer months, 70 to 72 degrees.

Air Conditioning Enters Mass Market, Launches New Industry

Companies in many other lines are staking claims in what looks like a promising field

A NEW industry, one with possibilities as great as the now-crowded field of electrical refrigeration, is in process of being born. It is founded on air conditioning—methods of cooling, cleaning, humidizing air in rooms and buildings. For years exigencies of manufacture have forced industrial plants to employ air conditioning. More recently theaters and stores have adopted it. By simplifying units and lowering prices, makers have taken the next inevitable step, are bringing their project within reach of mass demand.

In the era now beginning air conditioning will be made widely available for homes and commercial buildings. Already manufacturers with adaptable equipment are rushing into production. Newcomers include makers of heating equipment, refrigerators, automotive accessories, electrical appliances, etc.

General Motors Comes In

Official recognition of the potentialities came with the entrance into the new market of the giant General Motors Corp. Its subsidiary, Frididaire Corp., is the participating unit. Frigidaire offers 3 types of self-contained air-conditioners. They heat, cool, cleanse, moisten air or reduce humidity. One materialization looks like an ordinary radiator, another resembles a radio cabinet. A third is for concealed installation in walls or ceilings. A 1½-hp. motor operates the compressor and can be placed in the basement. This is to separate running machinery from the room where the conditioning unit must be put. Sound-proof cabinets can be had for joint installation.

Buyer's Wide Choice

Timken-Detroit Co. through its subsidiary Timken Detroit Axle Co. joins the new industry by starting to market its Airlux humidifier which, connected with the regular heating system, is designed to provide 40% average humidity, does not cool or cleanse air, averages $175 installed in a 7-room home.

American Blower Corp. is ready with a complete home air-conditioning unit using gas, oil or coal for fuel, which will heat, circulate, wash, humidify and, in summertime, cool the air. This equipment sells for less than $1,500.

Carrier-Lyle Corp., offspring of Carrier Engineering Corp., pioneers in the field, is offering a complete self-contained air-conditioning unit for home.

The Business Week

AIR CONDITIONER—*Frigidaire's new unit looks like a covered radiator; it heats, cools, moistens, dries, washes, and circulates the air*

Holland Furnace Co., largest direct selling furnace manufacturer, has brought out complete air-conditioning equipment for operation with furnaces already installed. It circulates, cools, humidifies, de-humidifies and washes the air, sells with all necessary controls for $235 plus installation cost, while a complete air-conditioning furnace for a 6-7 room house may be bought for $600 to $700 installed.

Various Humidifiers

Devices that merely humidify for direct connection to the existing heating system are being supplied by Air Control Systems, Inc. (Chicago), Lewis Corp. (Minneapolis), and others.

Several manufacturers, prominent in other lines, are experimenting with air-conditioning equipment, not now ready to make announcements, while Copeland Refrigerator Co. is now marketing air-cooling equipment and other makers of mechanical refrigerating units are preparing to enter the field.

With price for complete installations still somewhat high, volume selling under present conditions thus restricted, manufacturers of electrical equipment see in air-conditioning a new idea which, properly merchandised, will become a gold mine. They are working toward volume through lower prices and less-bulky, even portable, equipment. In the lower cost market are Corozone Co. (Cleveland), with $41.50 portable units for circulating cooled, washed air. A. C. Gilbert Co., Air Way Heating Co., Airite Corp., American Radiator Co. are offering small, single room units.

Manufacturers of motors, sheet steel and copper, ventilating and heating contractors welcome the trend as promising them new business. A Copper & Brass Research Association survey takes a peep at future commercial possibilities. It discovers potential buyers in 2,500 large theaters, 1,000 department stores, 1,500 large banks, numberless chain and independent retailers, hotels and office buildings. It estimates 3,500 air-conditioning plants now operating in 200-odd industries; 300 in theaters, 100 in stores.

G.M. Reaches 2 Ways For Refrigerator Volume

INTENT on broadening its sales-opportunity in one of the most responsive fields, General Motors Corp. has reached down to a lower level, out into a new field.

With 1931 unit sales volume on its regular models 35% greater than in

1930—its subsidiary, Frigidaire, has set out to corral if possible an even greater share of available sales in 1932 by adding a secondary line. Priced $30 to $40 lower than comparable Frigidaire models, its 3 new "Moraine" models are built for householders who find Frigidaire prices over their heads but like the Frigidaire reputation.

Duco Exteriors

Mechanical operation, compressor units, motors, cold control, interior finish of the Moraine line are practically identical with Frigidaire, the saving in cost being effected chiefly on the exterior, where Duco finish is substituted for the customary porcelain.

Many dealers now handling Frigidaire are taking on the new line, while in some territories new outlets are being established, some of them through dealers in other General Motors products.

Faraday Refrigerator Corp., a newly formed subsidiary of General Motors, is launching a new line of gas-operated refrigerators, becomes the first formidable competitor of Servel, pioneer in this field.

In territories where gas rates make gas-operated refrigerators more economical than electric, large volume sales have been made. The 3 models of the new Faraday line are designed to meet average household requirements, will carry Duco exterior finish, are priced to meet competition in this field.

No Dealers Used

No dealers are to handle Faraday units, distribution being built entirely through public utility companies.

Potential volume in this field may be judged from the fact that one utility sold the record-breaking total of 6,154 gas refrigerators in one month, 27,008 in 8 months of 1931.

Eastman Brings Out Transparent Wrapping

EASTMAN KODAK CO., first producers of pliable photographic firms to replace glass, finding the market for transparent wrappings rapidly expanding (*BW—May 13'31*), has entered the list with Kodapak, manufactured from cellulose acetate, a product of cotton.

The new product has a glass-like surface, is fully transparent, tough and exceptionally limp, folds readily and smoothly, can be easily sealed or cemented, is waterproof, withstands extremes or climatic changes of temperature without discoloring or cracking.

Meanwhile, E. I. du Pont de Nemours, first American producer of Cellophane, licensee under the original patents owned by Comptoir de Textiles Artificiels (France), has started suit against up-to-now only competitor, Sylvania Industrial Corp., makers of Sylphrap, transparent wrapping, made like Cellophane from wood pulp.

Du Pont claims that 3 patents covering moisture-proofing processes, 2 on coating, have been infringed, wants an injunction, triple damages, and an accounting.

Minnesota Farmers Launch a Factory

MINNESOTA FARM BUREAU FEDERATION has decided to manufacture fertilizers and feeds in competition with private companies.

Sales of its own products will be made through regular retail channels in Minnesota and nearby states, as well as through farm organizations. Profits, if accrued, will be paid in dividends to members.

Textile Industry Sees Omen in Pepperell Boost

Topping off a better-than-expected public response to the 1931 edition of the customary January "white" sales, the advance in wholesale prices on certain lines, just announced by Pepperell Mfg. Co., is hailed by textile men as another definite sign of improvement and a possible forerunner of advances in other lines.

Sales of cotton goods in 1931, according to the Association of Cotton Textile Merchants, were 117 million yards ahead of 1930. Despite this, the results of the January white sales indicated that there was still plenty of replacement buying to be done on sheets, and pillow cases, because housewives have been skimping the linen closet.

Sheet Sales Increase

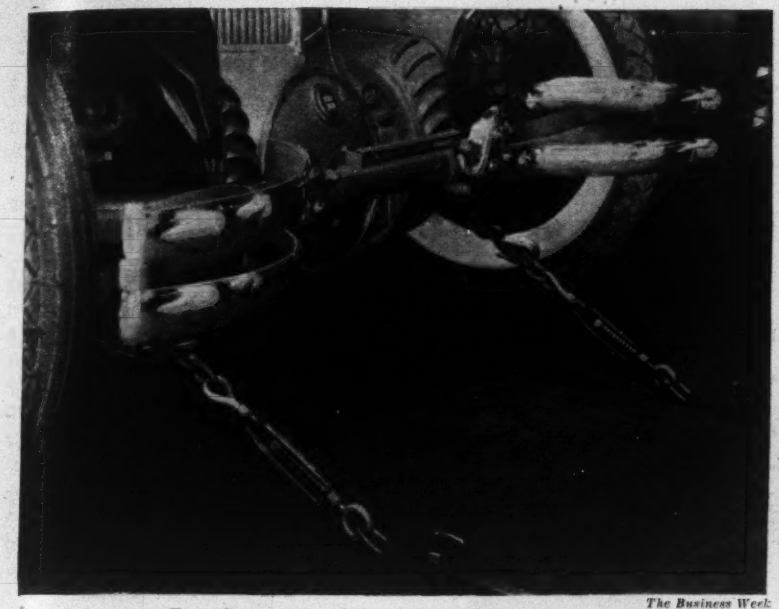
Department stores in many large cities found sales volume on these items far ahead of 1931. Advertised laundry tests, equivalent to 4 years' normal usage, a free laundering offered by some stores, boosted sheet sales particularly, the increases in unit sales in some stores exceeding 50%.

Pepperell believes the time ripe for an attempt to end profitless or loss selling, guide prices into higher levels, improve morale in the industry, restore its profit-making opportunity. The price increase just announced cuts discounts on 10-case lots from 30% and 5% to 30%, takes the wholesale price of 81x99-in. sheets from $7.25 to $7.63 per dozen.

If no material set-back in buying results, proportionate changes in other lines may be expected.

Wide World

IT'S A FILTER—*This queer-looking device is a cut-away model of a new air filter. Behind the grillwork is a renewable filter pad of spun glass coated with oil which will absorb nearly its own weight of dust and dirt*



The Business Week

CAR ANCHOR—*Freight cars used for automobile shipments need frequent reflooring (100,000 a year at $100 a car) because of the heavy spikes used in conventional blocking method. This anchoring device, developed by Evans Products, Detroit, has a built-in slotted track and shackles which make nailing unnecessary, permit use of car for other purposes*

Dry Goods Wholesalers Base Comeback on Selective Selling

Plan to limit outlets of textile manufacturers means fewer direct sales, sounder merchandising

DRY goods wholesalers see in the now evident realignment of sales policies in the textile industry their sorely needed opportunity for a comeback and are rallying enthusiastically behind the selective distribution plan of the Wholesale Dry Goods Institute. At their annual convention, just closed, they voted to invite manufacturers to associate membership further to improve the effectiveness of the plan, promote constructive cooperation.

The selective distribution program was formulated after an extensive study by dry goods wholesalers had demonstrated the need for radical changes in selling practices.

Selling Direct Hurt

Vacillating policies, lack of merchandising instinct, and sporadic attempts of many to fortify their position through the sale of private brands had materially reduced the value of some wholesalers as distributors for first-class manufacturers and nationally advertised branded goods. Too many duplicate lines, unbalanced stocks, antiquated methods kept others from providing economical service. Many manufacturers were forced to sell direct to retailers, chain stores, other buyers, at wholesale prices.

Selective distribution, as promoted by the institute, aims to correct this situation. Manufacturers adopting the plan select an adequate number of wholesale outlets, limit sales in a given territory to an exclusive agent or to a list of outlets serving different buyers.

These wholesalers carry no competing lines, concentrate sales effort upon lines affording them protection within their logical sales territory, operate at less cost, with greater assurance of a profit.

Closer contact between manufacturers and their outlets is expected to balance production more closely with consumption, avoid overproduction and accompanying losses from profitless selling, price wars, dumping, failures.

To enable its members to select manufacturers on the basis of their known sales programs, the institute has issued reports on over 1,500 individual concerns during last year.

Reaction to the first 2 groups of reports, covering percale and blanket manufacturers, has recently brought revised policies, new price schedules establishing definite differences between wholesale and retail prices. Other manufacturers are considering the adoption of the selective distribution plan.

One wholesaler committed to selective distribution, reports among results more satisfactory sales, larger net profits, faster moving stocks, turnover on one line during November at the rate of 33 times a year. Another finds the selective principle applied to his customers extremely valuable.

Many retail merchants and department store buyers welcome the new plan, claim that, with small stocks the order of the day and frequent buying necessary to maintain assortments, this stabilization of policies by manufacturers will simplify re-ordering, concentrate buying, reduce costs.

Some manufacturers believe that selective distribution will check the tendency toward private brands, that wholesalers, assured that the manufacturer is going to stick to his selective policy, will concentrate upon his national brands.

Use Non-Shrink Process To Widen Fabric Markets

IMPORTANT cotton goods manufacturers, finishers, and bleachers, recognizing the sales-building value of mechanical preshrinking of fabrics, are obtaining licenses to use the recently perfected sanforizing process (*BW—Dec9'31*).

Originally developed for shirting by Cluett, Peabody & Co., this process has since been successfully applied to duck, khaki, linen, tweeds, men's suiting, women's and children's dress goods, etc., is now specified for Army and Navy uniforms.

Aside from being protected from shrinkage, cotton goods so treated can be tailored more readily and with better, more permanent fit, thus substantially widening their market. Demand for mechanically shrunk fabrics increases.

Eleven important finishing plants are now licensed. Some already have sanforizing departments in operation, others are installing the machinery.

Nashua Mfg. Co., makers of "Indian Head" sanforized cloth, is using a series of special advertisements urging dress manufacturers to exploit the advantage of permanently fitted garments.

International News

CROYDON TO CAPE TOWN—*The Imperial Airways liner leaves on its first flight in the longest commercial service in the world—England to South Africa, 8,000 miles in 11 days. Fares include daily stopovers*

Scorned in Boom Days, Coupons And Trading Stamps Return

Schulte and 500 independents go back to coupons, 20,000 retailers to "green stamps"

MANUFACTURERS, wholesalers, retailers, independents and chains alike, are in increasing numbers reverting to the old practice, during the post-war prosperity almost abandoned, of luring the consumer with concealed discounts through coupons, premiums, trading stamps.

Most significant instance is the decision of D. A. Schulte, Inc., operator of 300-odd retail combination tobacco, candy, and novelty stores, to resume the practice of issuing premium coupons.

Up to 1929 both Schulte and its rival United Cigar Stores Corp. gave coupons. United, first in the field, had the advantage of a tie-up with United Profit Sharing Corp., which sells coupons for distribution, stocks premiums, issues catalogues, maintains premium stations.

Schulte to compete had to create the "Mutual" coupon system, maintain his own premium organization. Both companies abandoned coupons in 1929. Sensing the approach of another coupon-premium era, Schulte now has beaten his competitor to the tape, has furthermore avoided the necessity of an expensive special organization by tying up with United Profit Sharing Corp.

United Profit Sharing saw its customer list dwindle almost to the vanishing point. But now it reports that during 1931 over 500 independent merchants have installed its coupon system. The recent rapid increase in popularity has necessitated the re-opening of several premium stations.

Similarly Sperry & Hutchinson Co. have found renewed interest in the "green trading stamp" system. Its stamps are purchased and issued to consumers by retailers, redeemed by the S. & H. premium stores. After a substantial decline, the year 1931 has brought the number of cooperating merchants well above 20,000, and forced the extension of the chain of premium stores.

Many manufacturers of nationally known consumer goods are adopting various premium or incentive plans.

Philip Morris Co. recently introduced a new brand of cigarettes, each package containing a coupon worth 1¢.

General Foods Corp. reports that a national campaign to promote sales of Jell-O through giving 4 aluminum molds with each 6-package purchase has increased sales tremendously.

American Tobacco Co. (aside from giving a motor car daily for the best 20-word Cremo slogan) tries to get dealers to push the Cremo 5¢ cigar by packing with each box of 50 a coupon worth 10¢ when accompanied by 10 coupons from Lucky Strike cigarettes. Dealers have little trouble in accumulating the necessary 10 cigarette coupons but many find extra selling necessary to get the quota of Cremo coupons.

Soap and condensed milk manufacturers have for many years given premiums in exchange for coupons and labels, have found the practice a valuable stabilizer of retail volume.

Coca-Cola sales direct to the home, in competition with ginger ale and other carbonated beverages, have grown to record breaking proportions in territory where bottlers have offered premiums with consumers' case-lot purchases; the New York company in one seasonal campaign sold nearly 100,000 electric irons at a special $1.95 price with as many cases of Coca-Cola.

Changed East Side Market Hits West Coast Industry

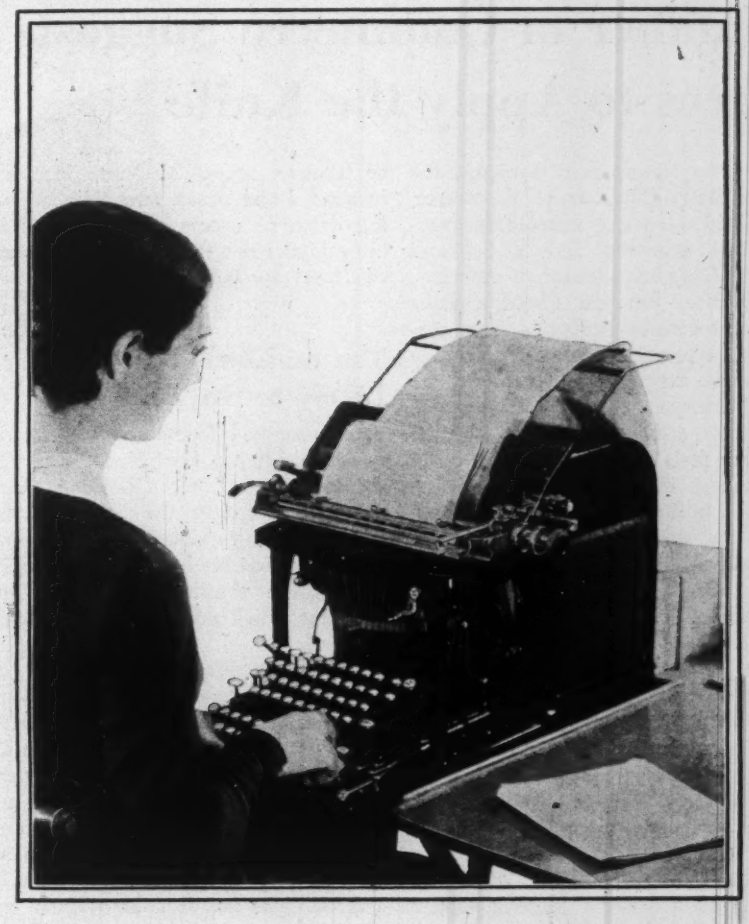
DISCOURAGED herring fishermen in the Pacific Northwest may not attempt to pack their fish this year. Since 1925, demand has fallen steadily. By 1930, the pack had dwindled to 20,000 (250 lb.) bbl.; last year, it was 14,000 —of which 6,000 are still unsold.

In the good old days of 1925, when the fish was $36 a bbl., a pack was often sold before the vessels started out in the spring; buyers were eager to take the catch off the packer's hands. Now, at $14, packers are using ship space to save cold storage charges ashore.

Not even the 2.4¢ per lb. tariff has helped. Independent fishermen, using their own labor, can deliver the fish to Seattle at $13 a bbl. and make a small profit. But big operators, with heavy investments in equipment, despair of breaking even.

The cause of this sadness in Seattle is found on the East Side of New York. Herring was once a staple article of diet in the Ghetto. The old people from the old countries kept a tub of it handy. The American-born generations have grown up with new tastes and desires.

BURROUGHS
TYPEWRITER
BILLING
MACHINE



COMPUTE *as you* TYPE

. . . *for FASTER INVOICING*

Burroughs Typewriter Billing Machine is the only machine that writes and computes a complete invoice in one operation. All figuring . . . extending (by direct multiplication), discounting, totaling, and other calculation . . . is performed as the invoice is typed. The figuring costs neither time nor money. » » The machine also has many other exclusive features of speed, accuracy and simplicity that make it the fastest billing machine in use today. » » For a demonstration, telephone the local Burroughs office.

BURROUGHS ADDING MACHINE COMPANY, 6132 SECOND BOULEVARD, DETROIT, MICHIGAN

BURROUGHS MACHINES ARE PRICED AS LOW AS $80, DELIVERED U. S. A.

Burroughs

EVERY BURROUGHS MACHINE BACKED BY BURROUGHS SERVICE

Chamber of Commerce Suggests Places to Apply the Knife

ORGANIZED business, through the United States Chamber of Commerce, has joined the rising demand for governmental economy and a balanced budget. Long an advocate of economy, the Chamber has just issued a series of comprehensive proposals, accompanied by a promise not to ask for any increase in expenditures except for the gravest emergency.

Federal activities into which the Chamber feels the pruning knife could go deepest include national defense, state aid, military pensions and benefits, the Departments of Commerce and Agriculture, the postal deficit, and the Farm Board. Economies are proposed for some 41 independent establishments. Total savings of about $500 millions are contemplated. A referendum is to be carried through in order to crystallize business opinion on these suggestions.

Rule 1: Spend Less

Committees studying the subject concluded that the budget should be balanced primarily by less spending, only secondarily through higher taxes, and agree with President Hoover that a balance must be achieved by 1934. They denounce retroactivity in any taxes, believe increases should be only for a limited emergency period, oppose estate tax increases, find higher corporate taxes undesirable and urge moderation if they are used, are against any general sales or turnover taxes. Moderate increases in normal and surtax rates with a scaling down of exemptions, reduction in the capital gains tax, and moderate excise taxes are held most desirable.

Tax on Electric Power Likely to Go Through

THAT proposed federal tax on electric power which has electrified the power industry into galvanic opposition seems likely to get into the final revenue measure. Congressional feeling against the utilities has insulated too many legislators against the shock of protest. But it probably will not go through as first outlined.

Its author, Representative Crisp of Georgia, ranking member of the Ways and Means Committee, originally planned a flat ½¢ per kw.-hr. tax on all electric current sold. When he learned that many of the utilities customers pay as little for current as 1½¢ per kw.-hr.—which would make his tax a 33% ad valorem levy—he shifted the attack to a direct sales tax, is talking about one of 5%, or perhaps 10%. Estimates show that the original proposal might yield $350 millions a year, a 5% sales tax about $100 millions.

The utilities nearly exploded with their protest that a flat ½¢ impost would mean a heavy increase in power costs and restriction of power usage. They are opposed to the other suggestion—as to any tax on current—but with less vehemence. Some leaders, already convinced of the futility of trying to block the tax, are concentrating on getting a similar tax upon gas, electricity's chief competitor. With Congress searching the corners for more revenue, this suggestion is likely to be welcomed despite opposition of the gas and oil industry.

What Congress Did

The Senate and House:

Adopted resolution appropriating $125,000,000 for subscription to capital stock of Federal Land Banks.

Passed bill authorizing $1,000,000 for government exhibits at Chicago Exposition.

The Senate:

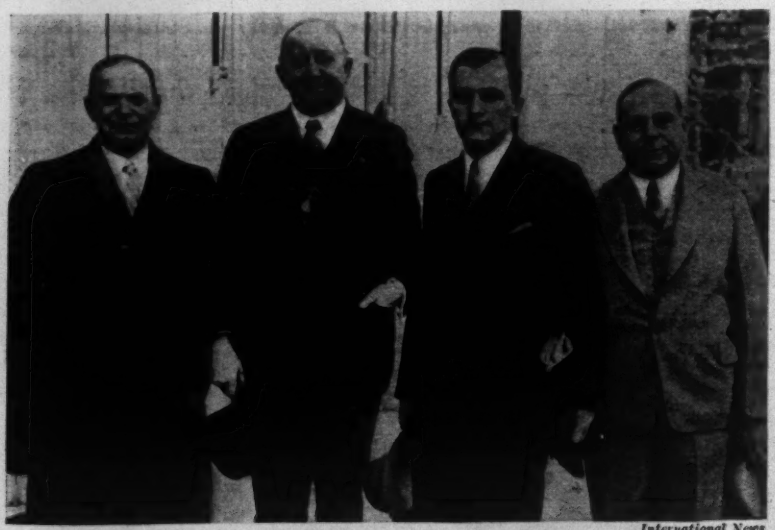
Adopted resolution authorizing use of balance of drought fund for livestock feed loan.

The House:

Passed bill exempting building and loan associations from being adjudged involuntarily bankrupt.

Passed Department of Agriculture appropriation bill carrying $175,408,814.

Adopted resolution forbidding promotions or filling of vacancies in federal service.



International News

DISCUSS HOME LOAN BILL—*Messrs. Best, Cellarius, Bodfish, and Friedlander, of United States Building and Loan League, call on the President*

Atmosphere Unfavorable To Inflation Measures

DISSATISFACTION with Federal Reserve unwillingness or inability to stop the destruction of credit and the paralyzing fall in prices has brought into Congress a group of proposals seeking the same end by a different means—inflation of currency. Measures designed to accomplish this have been introduced by Senator Walsh of Massachusetts and Representatives Keller of Illinois and Campbell of Pennsylvania.

The proposals in general call for the issuance of currency backed by United States government bonds, thus increasing the supply of money and making it decline in value, which is to say, causing a rise in prices. The new money would be put in circulation by governmental or other spending. However, the Treasury is uncompromisingly opposed to such schemes, and, judged by present conditions in Congress, there seems little chance of their passage.

"Now WHY *didn't anyone think of that* BEFORE ?"

At the other end of every container problem is a consumer—usually a woman. Building packages to *her* specifications, designing them for *her* convenience, brings a dollars-and-cents reward that both manufacturer and can-maker do well to take into account.

The improvements you see about you in the containers of so many products are remaking industries. We are proud that so many of them came from Canco minds.

All the containers we make are not famous—but the fame of many is already in the bud. We think with pleasure of the great businesses we served when they were small (except for a big idea) whose containers by the millions we still make. We think with pleasure of many businesses today not yet great, whose containers we are making the best we know how. As they grow, we grow. Some of them will one day be great.

CANCO

AMERICAN CAN COMPANY

More "Gas" Taxes Are Coming In But the Racket Is Hard to Beat

Oil companies' campaign finds evasion is still easy, state enforcement still lethargic

THE petroleum industry's campaign against evasion of the gasoline tax laws is moving faster than the lethargy of state enforcement officers would indicate. Kansas' December tax collections were $661,000 higher than in 1930 on sales of 6% less gasoline; refunds allowed tractor users had dropped from 19½% of total collections to 12%—a 38% decrease in 12 months; the state has indicted 15 evaders and is going to prosecute 200 forgery cases. Illinois' July–October collections ran $728,000 better than in 1930 despite a consumption cut, and more than 50 tax evaders have been indicted with others getting pretty well scared. Michigan's tax returns for October and November, when gasoline sales normally decline, rose $173,000. Pennsylvania has stacked up more than 800 indictments of evaders.

Vigilance Committees

All this is encouraging to the oil companies that raised the hue and cry for better enforcement when price-cutting by racketeers began to threaten the stability of their markets (*BW—Dec9'31*). Some of the cleanup is credited to the work of their state committees organized to report violations and push prosecutions. First launched in the Middle West at the instigation of Frank V. Martinek of the Standard Oil of Indiana, these have spread eastward and now nearly all the Atlantic Coast states are organizing against the racket or—as in New York—to fend off proposed increases in the gasoline tax with the warning that they will promote bootlegging.

But enforcement has a long way to go. It is trying to stop something that's too easy to start. Every state now levies a gasoline tax and 42 of them are getting—or charging—3¢ or more a gallon. Evasion provides a margin on which very profitable resales can be conducted. And the racketeer needs little or no capital, small organization, and a modicum of intelligence.

Methods of Evasion

Methods of evasion are numerous. In states where taxes are collected quarterly, dummy companies prove helpful. A good location is fitted with a couple of pumps and cut-price gasoline sold intensively until the day before the tax collector is due. Then the organization folds up, goes to another location, and the state takes over the station in lieu of taxes. Ohio has had to enter the oil business to redeem losses thus incurred.

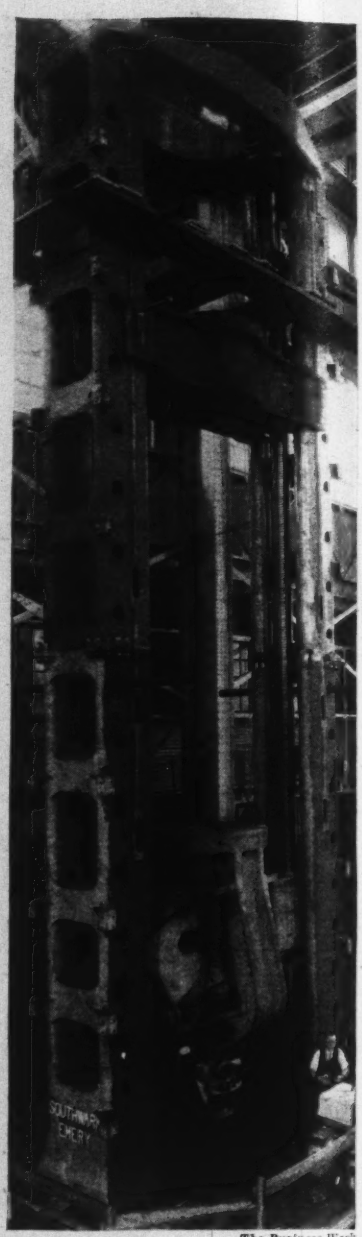
Blending 20% of tax-paid gasoline with 80% kerosene, furnace oil, or what-have-you is a popular method. Others include: mis-billing shipments as tax-free, rerouting tank cars to an unknown destination, conniving with paint manufacturers having legitimate use for naphtha, plain smuggling across state borders, bribery, collusion, juggled reports, hijacking, even murder.

In agricultural states, refunds for gasoline to be used in tractors and other agricultural machines have opened the way to tax losses. A Kansas farmer buys 100 gal. of gasoline, signs a statement that it is to be used in a tractor and is permitted to take it tax-free. He may use 10 gal. in his tractor, some in his car, and sell the remainder to his neighbors. His gasoline dealer, stirred up by this low-price competition, raises the next ticket to 1,000 gal. and has a 3¢ preferential on 900 gal. with which to beat his more honest competitors.

Enforcement Handicaps

The racket is helped along by the woeful shortage of enforcement officers in all states. Even if every officer were honest and 100% effective, the impossibility of stopping leaks along state borders, checking sales and auditing books of dealers would still permit widespread violations.

A chief obstacle to successful prosecution of violations is the attitude of the public and of courts which reflect the widespread hostility to high taxes. Two fine examples: (1) A farmer in Idaho bought 100 gallons of gasoline with a 5¢ tax, raised the sales ticket received to 1,000 gal., applied to the state for a refund of $50 and got it. He bragged too much about his feat, was indicted, tried, found guilty and was fined $5. (P. S. He kept the $50.) (2) A Pennsylvania man made an equally open violation of the law, was tried, convicted and fined $810, payable $1 a month for the next 68 years.



The Business Week

BIGGEST TESTER—*The Southwark Emery test machine just completed by Baldwin–Southwark for the University of California. It can exert a pressure of 4 million pounds, a tension of 3 million, will test 60-in. concrete cylinders*

Motor Test Shows How Speed Affects Fuel Use

AN extensive test which secured detailed operating data from 400,000 miles of travel by automobiles of 13 different makes has just been completed by Standard Oil Co. of Indiana with results of great interest to the automotive industry and to motorists. It definitely

established the fact that oil and gasoline consumption varies more with car speed than with make of car. Fuel consumption at 55 m.p.h. was 20% greater than at 30 m.p.h.; oil consumption was 7 times greater at the higher speed. A large car run at 30 m.p.h. may consume much less oil and gas than a smaller one traveling at high speed.

Speed vs. Mileage

For the 9,000-mile fast run on the Indianapolis Speedway the general average gas consumption of all cars was 11.25 miles a gallon, for oil 191 miles a quart. On the road tour through 13 states average fuel consumption was 13.1 m.p.g. with a range from 9.04 to 17.24; average oil consumption was 305 miles a quart with a range from 93.9 to 731.1 miles.

Tests with competing oils showed little difference in consumption but important variations in carbon formation and crankcase dilution. The test demonstrated that high grade fuels now available will operate all cars without knocking, that prediluted oils will not thin out in the crankcase.

That the standard oil and grease recommendations of manufacturers are adequate was proved by the fact that after the equivalent of 3 years' service every cylinder in the test fleet was in perfect condition.

Transit Company Helps Workers Invest Savings

AN unusual savings plan has been put into effect by the Market Street Railway Co. of San Francisco to make it possible for employees on small salaries to take advantage of present prices on stocks and bonds and to encourage saving.

The employee deposits a stated monthly sum, ranging between $2.50 and $12.50 a month, with an investment trust governed by a board of 5 company officers and 19 workmen. For every dollar he puts into the fund, the company will put in 20¢.

Half of the money deposited will be invested in bonds of the Market Street Railway and the other half may be put into preferred bonds of the company or other investments as determined by the governing board.

Earnings of the bonds and stock owned by the trust will be divided on a share-for-share basis. The trust is to terminate in 30 months, unless extended by the board. Men forced to withdraw from the fund get their money back, plus 3% interest. Over 60% of the employees are subscribing.

In the fog—a

GUIDING HAND

As a *safeguard* airlines equip with RADIO TELEPHONE . . .

The pilot can fly straight as a homing pigeon—in spite of sudden fog, darkness and low-hanging clouds. With his Western Electric radio telephone, he can talk to ground stations and get instructions and bearings from them at any time. ¶ All the major airlines in this country are using this equipment as an extra safeguard and to help maintain the accuracy of their mail and passenger schedules. One company, for example, flying 1,000,000 miles a month, has all of its 106 planes and 35 stations Western Electric equipped. ¶ Voice reproduction by means of Western Electric apparatus reflects an experience of over 50 years making telephones and other communication apparatus for the Bell System.

Western Electric

LEADERS IN SOUND TRANSMISSION APPARATUS

Neither Sponsors Nor Stations Heed Radio Listeners' Grumbling

They don't think complaints are serious, even if Senator Couzens is aroused

RADIO broadcasting, having developed to the point where it attracts increasing millions of advertising dollars, is threatened with a revolt of listeners. Hard-pressed sales executives who discovered a technique of sandwiching high-class entertainment with merchandising talk, companies which use the common ether for intensive boosting of their wares must decide how far they can go without creating a boomerang of disgust. Newspaper radio editors report more and more letters of protest against irritating sales ballyhoo. Manufacturers of sets see in it a threat to their future market.

Couzens Wants a Curb

Topping the popular clamor comes an official move from Washington. The Senate has adopted a resolution by Senator Couzens (Rep.), of Michigan, which orders the Radio Commission to investigate and report on broadcasting. Outgoing questionnaires ask what stations are used for commercial advertising and how much; net income of representative broadcasting companies; extent to which stations are now used for education. The commission is asked about the feasibility of government ownership and ways by which commercial advertising may be controlled or prohibited.

The former Ford motor magnate admits favoring a curb on the commercialization of radio through advertising. He believes the government can legislate itself into ownership of all broadcasting stations; or eliminate advertising ballyhoo by Congressional act; or limit advertising to bare sponsorship of programs. He is inclined to favor the last.

He Can Get Action

Mr. Couzens hopes something may be done during the present session. As chairman of the important Interstate Commerce Committee, whose jurisdiction includes radio legislation, he can keep things moving.

The feature of the resolution concerning educational programs was not Senator Couzens' idea. It was tacked on by Senator Dill (Dem.), of Washington, who thinks the Radio Commission is too lenient with the big broadcasting companies, not lenient enough with educational institutions. Here is a recurrence of a pet idea of a certain Congressional group. Soon after the present session opened Senator Fess of Ohio (chairman of the Republican National Committee) introduced a bill that would reserve 15% of air channels for educational purposes. Certain interested but high-minded organizations back the move. But—since nearly every member of Congress is connected with some educational institution, candidates might conceivably use such reserved frequencies to go after votes.

Radio executives view the maneuvers without alarm. They say set owners like the present broadcasts and that government meddling would rouse them sufficiently to put the fear of the Lord into the politicians.

Advertisers and broadcasting companies admit that the present system isn't perfect but wonder where the line can be drawn. They point out that some programs with 20% advertising blurb are popular, while others with only 1% haven't gone across. The set owner is his own censor. If Senator Fess becomes weary of Rudy Vallée, he can dial over and learn from Merle Thorpe that there is too much government interference in business. Broadcasting companies censor programs, are quick to eliminate objectionable features. The big networks allow no rough language, no mention of price, accept business from no embarrassing commodities. Desirable percentage of blurb to entertainment, they say, is purely a matter of individual taste.

Try to Average!

The commission will have a hard time averaging the percentages since advertising runs from 1% to 100% of total programs. A Mid-West investigator for *Radio Retailing* discovered that within his range 15 minutes out of every hour was devoted to advertising declamation on the average station. A typical hour showed this breakdown: 5.6% station announcements, 20.9% advertising messages, 73.5% entertainment. Station executives admit this is unhealthy but point out that the industry is still young, that, given time, it can work out its own cures.

Companies point out that advertising makes possible hours of free entertainment and instruction. By selling ad-

Wide World

RCA, RKO, NBC—*Left to right are Col. Arthur Woods, Rockefeller representative; David Sarnoff, president of RCA; Hiram S. Brown, president of Radio-Keith-Orpheum; and M. H. Aylesworth, president of the National Broadcasting Co. The occasion is the signing of the world's largest lease, last fall, for 1 million sq.ft. space in Radio City*

vertising the National Broadcasting Co. is able to give the set owner Metropolitan Opera and other cultural broadcasts for nothing. William S. Paley, president of the Columbia network, told a Senate committee that his company paid for service programs which absorbed 75% of its air time. During a typical week the service programs bore this relation to total broadcasting time: 2% civic, 4% religious, 14% instructive, 3% dramatic, 26% opera, symphony, chamber music, 29% popular music.

The Real Offenders

But this is a big network. Worst sinners against taste and patience are small independent stations. The Radio Commission can now discipline flagrant offenders. The country's total is 615 broadcasting stations. National Broadcasting Co. has 85 operated or affiliated stations in its network. Columbia has about the same. There are some 7 local networks. The other stations are small independents.

It is like going into a different world when you leave the depression-ridden streets for the office of a big broadcasting company. Men going past are fat and cheerful. Cigars point ceilingward, heels click on tiles, the merry quip and the untroubled laugh ring high and clear. In a corner office a vice-president broke down and confessed:

"Sure, we're making money. Has it got to the point where that is a crime?"

Stock Promoters Busy

Already the news has seeped out. Shabby stock-racketeers are capitalizing the phenomenon to sell nebulous companies with incredible prospects. It is hard to find just what the big chains have achieved. They are not listed on the Stock Exchange, are self-conscious about their profits. That same Mr. Paley told Congress Columbia lost $378,080 up to 1929. Gross earnings for 1929 were $3½ millions; during 1930, $6,730,000. (Paramount Pictures owns half this chain.) Macy's department store, which acquired WOR with Bamberger's, is holding it for a sale price said to be all the way from $7 to $14 millions. Ames Brown, former president of Lord & Thomas & Logan, estimated that advertisers spend $40 millions annually on national networks; that $15 millions are paid for talent.

Air selling comes high. Columbia network charges $15,000 an hour for one time. A year's campaign of 15-minute broadcasts 6 days a week comes to $27,000 a week. Advertisers now integrate their broadcasts with printed and personal sale campaigns.

YOU DON'T MANUFACTURE ALARM CLOCKS

•

But tie the story of Big Ben to your own product

THE original alarm clock was born of a new idea—a clock to awaken you. Later it was made more sturdy—more efficient. Now it has reached the third stage, the stage of *fresh appeal*—it has style. Congratulations to Western Clock Company for their ingenuity.

For twelve years YPS engineers have created new business for their customers by redesigning products to improve appearance, cut down weight, reduce production costs.

To this staff we have now added the services of a nationally known product Stylist.

We are thus able to offer a complete four-way service—*product redesign, form styling, color styling and parts production.*

Old products, given new life, will enjoy new sales impetus. Diagnose your product and your market. Fit your product to the new market conditions.

FREE OFFER Our staff are ready to help you. In the order in which requests are received, YPS will diagnose products without cost or obligation. (For obvious reasons we are forced to limit consideration to sizable products which are or can be made of metal.)

THE YOUNGSTOWN PRESSED STEEL COMPANY
WARREN, OHIO

YPS

The Youngstown Pressed Steel Company,
803 University Avenue,
Warren, Ohio.

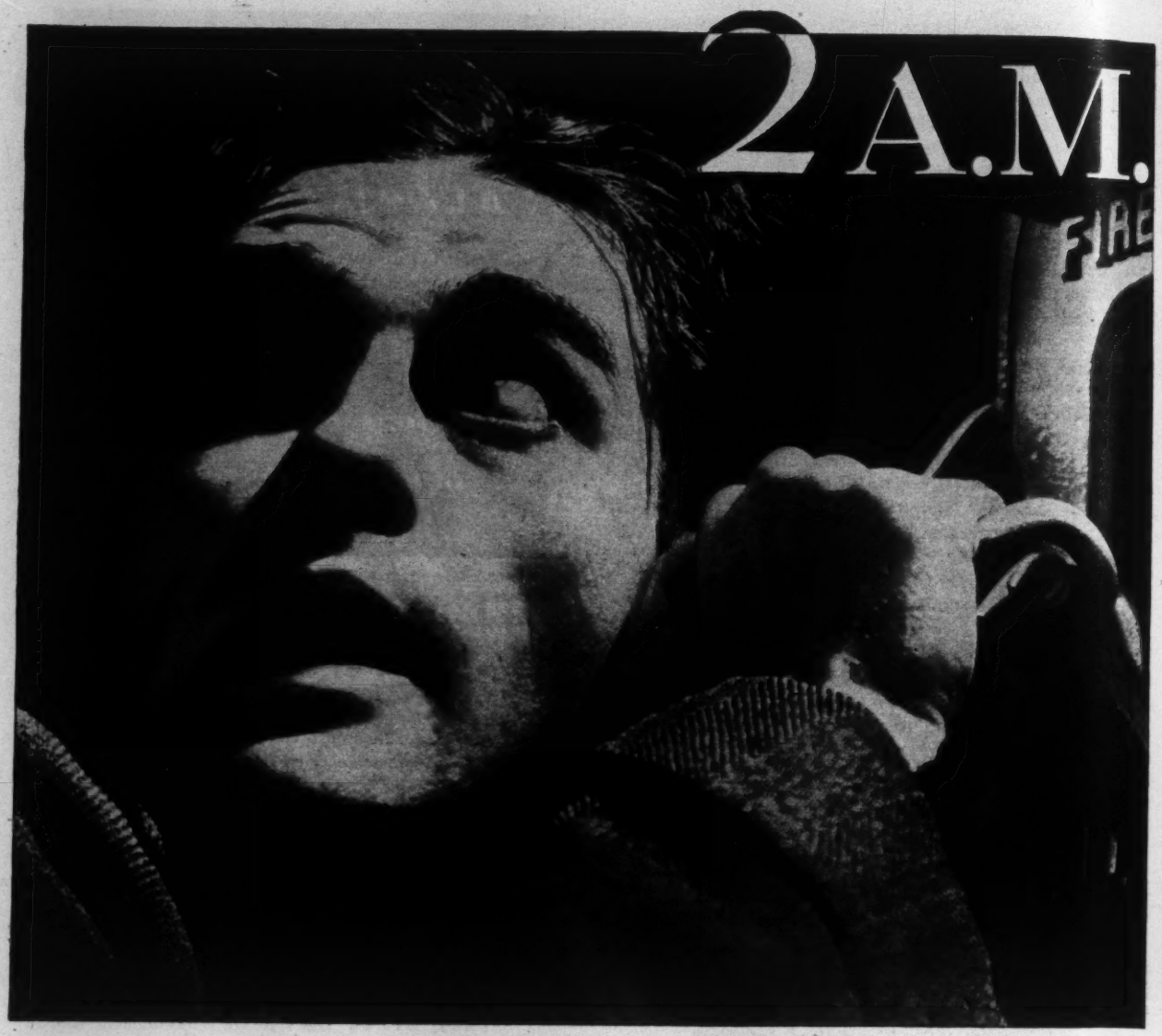
We would like to know more about your free offer to make a Product Diagnosis for us. And send me a copy of "Old Myron Looks Up"—the tale of an old business and a new bag of tricks.

Name of firm .....

Address .....

City ..... State .....

"PRESS IT FROM STEEL INSTEAD"



What do the FIRE CHIEFS say?

"When I built my *own* home in this city, your asbestos shingles were used. They are *great* in reducing the loss caused by fires on roofs."

B. L. WARLICK
Fire Chief, Jackson, Tenn.

• • •

"Many disastrous fires have been prevented by the proper use of incombustible roofing materials as they reduce to a minimum exposures from adjoining buildings."

G. E. RENKEN
Fire Chief, Laredo, Texas

• • •

"Asbestos Shingles hold fire losses to a minimum and unquestionably form the best type of roofing."

C. L. INGRAM
Fire Chief, Montgomery, Ala.

• • •

"If every home owner could just have a little experience in the Fire Dept., he would prefer J-M Asbestos Shingles to *any* other roofing. They are absolutely a safeguard against the great fire waste of the country."

J. E. PORTER
Fire Chief, Thomasville, Ga.

• • •

"I've my first fire call to make where Asbestos Shingles were used. In my opinion, Johns-Manville Roofings have solved America's roof fire hazards."

LOUIS R. GROBMYER, JR.
Fire Chief, Forest City, Ark.

• • •

"If the cities were to pass an ordinance making it compulsory to put on fireproof roofs, it would not be necessary to call out additional fire apparatus to patrol the territory during a large fire, looking for roof fires."

F. C. SEIBERT
Fire Chief, Houston, Texas

• • •

"During the recent 3 months' drought, our fire losses would have been more than double what they were had it not been for fireproof roofing on the homes of people of this city. Thanks to Johns-Manville."

GEO. ALFORD
Fire Chief, Pine Bluff, Ark.

• • •

"This Department recommends the use of Asbestos Shingles."

GEO. HOHERD
Fire Chief, Temple, Texas

• • •

"Fire-resisting roofing should be used on all buildings in the corporate limits of all cities."

S. T. GREEN
Fire Chief, Gadsden, Ala.

• • •

"Asbestos Shingles form a superior type of roofing in every respect."

A. McC. MARSH
Fire Chief, Columbia, S. C.

—your turn next?

23% of all residential fires start on ROOFS. J-M Asbestos Shingles wipe out this constant menace—give permanent FIRE PROTECTION to thousands of home owners . . . .

NIGHT . . . darkness . . . stillness. You awake from a sound sleep—with a start! Is anything wrong? What's that? Smoke! Something's burning. FIRE—FIRE!! Your house is on fire. Quick—the children—the alarm. Quick!!

It takes little imagination to see the horror, the grim tragedy in any situation like this—far less if it actually happened to you, to *your* family. And it might.

* * *

It is estimated that fire losses in 1930 amounted to $499,739,132—that 10,000 persons burn to death every year. Of the huge annual toll of residential fires, 23% start unnecessarily on ROOFS—could have been prevented.

Over a period of years, Johns-Manville has advocated the use of the Rigid Asbestos Shingle—fireproof, inexpensive, everlasting. Fire chiefs have endorsed it, city councils have approved it, thousands upon thousands of home owners have been given permanent protection against FIRE because of it.

Now, for as little as $19.50 down—the balance in twelve easy monthly payments, you can have a genuine J-M Asbestos Shingle Roof on *your* house.

You will not only have a roof to protect you from fire, but one which will defy rain, snow, wind and sun for years without upkeep expense. You will have a roof of beauty, in keeping with the architectural style of your house.

Telephone the J-M Dealer. Ask him to come and give your roof a thorough inspection—*free*. If you do not know the J-M Dealer, write direct to Johns-Manville, 292 Madison Ave., New York City.

Johns-Manville
WARS
ON WASTE

Not even the fury of the BLOW TORCH

Here's evidence—positive evidence of the 100% *fireproofness* of the J-M Rigid Asbestos Shingle.

Not even the fury of the blow torch can set fire to these shingles. Made of asbestos fibres and Portland cement, combined under great pressure, they form a roof that is everlasting, rot-proof, non-curling, beautiful, as well as *fireproof!*

For every type of service—homes, plants, buildings, the wide range of J-M Roofs (Rigid Asbestos Shingles, Flexible Asphalt Shingles, Salem Roofs, Built-up Roofing, Transite) offers protection against *fire* and weather, assures low upkeep cost and absolute satisfaction.

Johns-Manville

JM

Controls
HEAT, COLD, SOUND, MOTION

Protects against
FIRE AND WEATHER

Surveys of Unemployment Push Congress Closer to Direct Relief

Senate survey, reports to House, Labor Federation and private investigators agree conditions grow desperate

CONGRESS is discussing unemployment relief with strong indications that some action will be taken although its exact nature is still uncertain. Chief interest is in the LaFollette–Costigan Bill favorably reported to the Senate by the Manufactures Committee, which has been duplicated by a House proposal. It calls for a $375-million appropriation for distribution among the states on a basis of population, to be used by local agencies for direct relief work.

There is much favorable opinion for the measure outside Congress; in Congress it will meet organized opposition. The Administration is against it. Democratic Senate leaders have already announced that a substitute bill is being prepared. Other suggestions have been to use the $375 millions for additional federal aid to highways and for any other purpose except direct relief. The dread word "dole" terrifies many Congressmen.

Cities Report Distress

Outside pressure for adequate relief measures continues to grow as more reports are received citing widespread unemployment distress far beyond relief powers of local resources.

In the most comprehensive survey yet made, the Senate committee has received reports from mayors of 600 cities, of 15 million population. Mayors of 305 cities with 9 million population reported inadequate funds and need for federal relief; 215 cities with 4.6 million population require no aid; mayors of 45 more cities favor federal aid if it is spent on federal construction within the city; 35 mayors made non-committal replies.

The survey showed that 85 cities are now carrying relief loads 100% greater than in early 1931; 115 reported 50% to 100% increased relief demands; 156 cities reported increases up to 50%. In 122 cities there are no relief appropriations for 1932, and 23 of these reported no funds available.

The American Federation of Labor has increased its activities for federal relief after 2 years of opposition. It asserts 8 millions are jobless, 7 millions working but a day or two a week. This means 24 millions living in abject poverty of whom at least 12 millions are entirely dependent upon charity. To feed, clothe, and house these millions on bare subsistence levels during 1932 will require between $3½ and $5½ billions, and President Green declares that only the federal government can meet this great emergency because of its taxing power which permits it to distribute the relief burden among those best able to bear it.

A survey made by Edward C. Rybicki, New York City Department of Public Welfare, shows that nearly 1 million jobless persons have migrated during 1931 to 52 cities throughout the country from agricultural sections and small towns east of the Mississippi where plants have closed down. New York received 250,000 of the migrants; Chicago, 200,000; Philadelphia, 50,000; Cleveland, 45,000; Boston, Milwaukee, and Baltimore, 20,000 each; Newark, 18,000. To expect local property taxpayers to assume this added burden besides that of their resident unemployment is too much, Mr. Rybicki insists.

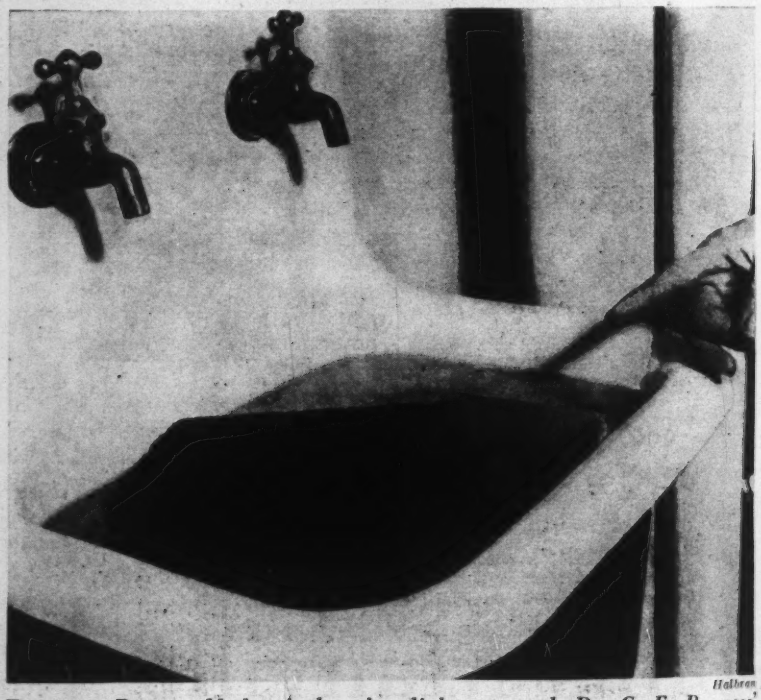
The House Committee on Labor received a report from the Illinois Governor's Commission on Unemployment which estimated 125,000 families of Chicago and 12,000 non-family men to be entirely dependent upon charity at the end of December. Available relief funds will be exhausted this week.

A survey made by a ministerial commission of Pittsburgh found 1,000 miners living in tents, facing freezing and starvation, local relief funds gone.

"Dole" Cry Effective

So far, politics seems to have dominated Congressional activities. The cry of "dole" has been raised so vociferously that even the Democrats, who normally might favor relief as a typical democratic action and to shame the Administration, are hesitant.

Proponents of the bill maintain that relief in the form of construction projects, as suggested by some Congressmen, would be available too late to be effective this winter. They point out that all federal funds would be distributed among states and would be apportioned by local relief agencies in accordance with actual needs, no more a dole than their distribution of the inadequate local funds.



Halbran

FLOATING BRICK—*Made of clay, but light as wood, Dr. C. F. Burgess' improved brick has great strength and insulation value, can be laid faster or in larger units. However, size and speed are subject to the bricklayers, who don't look kindly on ways to save labor*

"Prevailing Wage Law" Seems to Please Nobody

CONTRACTORS and labor leaders are agreed that the Bacon-Davis law, which requires that "prevailing wages" be paid on federal building construction, needs amendment. Both sides believe it must be made more specific, given wider application and bigger and stronger teeth; they differ on detail changes needed. Despite Administration assertions that the law is now effective, particularly in view of the recent Presidential order concerning it, best informed opinion believes Congress will make some changes. What the changes should be supply the material for debate.

Contractors' Argument

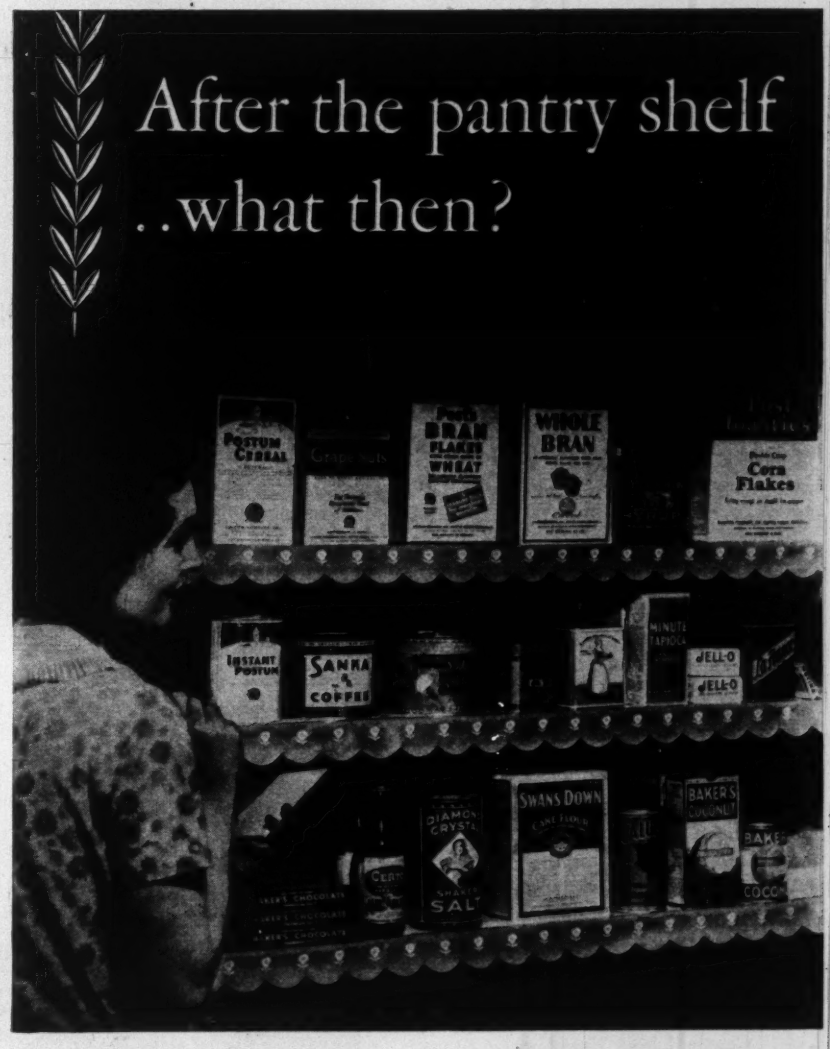
The contractors' chief argument against the present law is that the term "prevailing wage" is nowhere defined. Interpretation is left to negotiations among contractors, labor leaders and the interested government department. Final appeals go to the Secretary of Labor who has usually decided that union scales are the "prevailing wage"—even in cases where there has been no union organization within miles of the project under consideration. Naturally, this stirs up considerable dissatisfaction.

Other alleged defects are that its application is restricted to federal buildings when it should apply to all federal construction, including river and harbor improvements where labor conditions are said to be particularly bad; that it provides no penalty for violation other than cancellation of contracts. Sometimes cancellation is no penalty at all.

Associated General Contractors, at their recent convention at Milwaukee, approved amendments to specify predetermination of wages and their stipulation in the contract; to provide for adjustment of contract price to correspond with wage changes ordered by the government; to extend the act to all public works; to set up penalties other than cancellation for infraction of contracts.

Presidential Order

In the midst of their discussion of these changes, news arrived of the Presidential order which ruled that all federal contractors must pay wages prevailing locally and that future contracts must carry a definite concellation clause for failure to pay such wages. The Association's executive committee immediately wired the President to hold up the order for a conference; charged that it would simply create added confusion; privately thought the bill might be declared unconstitutional if a con-



GENERAL FOODS is not content merely to get its products into the consumer's home. Through its Consumer Service Department, General Foods is constantly offering to the buyers of its products new recipes and new ways to use these products . . . The complete story of this department—its field workers, its laboratories and kitchens, its cooking school of the air, its personal service for home-makers—is told in a new booklet, "After the pantry shelf . . . what then?" This booklet reveals one of the reasons for the growth of General Foods—a company which today is owned by more than 51,000 stockholders. The booklet will be sent free upon request to any interested person.

GENERAL FOODS

DEPT. 9-L 250 PARK AVENUE NEW YORK CITY

GF

Maxwell House Coffee and Tea, Log Cabin Syrup, Jell-O, Certo, Post's Bran Flakes, Minute Tapioca, Postum, Birdseye Frosted Foods, Walter Baker's Chocolate and Cocoa, Franklin Baker's Coconut, Calumet Baking Powder, Grape-Nuts, Sanka Coffee, Satina, Swans Down Cake Flour, Post Toasties, La France, Diamond Crystal Salt, Whole Bran.

tractor could be found willing to carry through a suit at Association expense.

Labor is incensed over the present bill because it has been hard to enforce and has not eliminated the practices for which it was intended; because it does not apply to all federal work; particularly because it does not apply to work done directly by government departments (this is directed particularly at the War Department which has been severely criticized for alleged malpractice in labor matters).

Labor leaders assert the Administration has been inconsistent, that it insisted a year ago nothing could be done about federal wage policies without Congressional action; that it sponsored the Bacon-Davis Bill, which labor maintained was unenforceable; that now it insists everything is lovely and is opposing efforts to improve the law.

Washington Reactions: Glass Bill, Depositors' Relief, Tax Prospects

WASHINGTON—Congressional prophecy as to what is going to happen to the Glass Bill (*BW—Feb3'32*) is pure speculation. Not one of 30 Senators or of more members of the House has even read the bill. But some bankers have, and the American Bankers' Association has been mustering support against provisions it doesn't like. Before the fight is over there will be compromises on many provisions—but predictions as to just what provisions is again speculation. There is more Congressional support for the bill than the Administration suspects or the New York banking interests appear to believe—particularly for those sections aimed at preventing Federal Reserve credit from flowing into speculative channels.

Great Glass Prestige

The one certainty that has been widely overlooked by those who are not politicians is the tremendous prestige which Glass enjoys in financial matters. He is branded as being absolutely honest and has an unassailable popular standing as an expert on all financial, banking, and Federal Reserve questions. Whatever Senator Owen or the numerous Senate amendments had to do with the final shaping of that legislation, he is still "the father of the Federal Reserve Act" to the man in the street—and in the business office.

The easy thing for any senator or member of the House to do, especially if he is a Democrat, is to follow Glass. That is a complete answer to any Southern or Western Democratic constituency. So Glass can always count on a big following for any financial idea he chooses to advance. It is just putting one's head in the sand to discount this. And he is a stubborn man, who enjoys a real fight and the center of the stage.

The outcome on some of the controversial sections of the Glass Bill depends on the sort of case the bankers are able to make against them. This applies particularly to those "doubtful provisions" requiring the Reserve banks to ascertain the purposes of loans by member banks, suspending violators of restrictions on loans for speculative purposes, empowering the Reserve Board to set limits on security loans and forbidding the banks to increase collateral loans while they have 15-day loans from the Reserve bank.

The cry against all this is that a bank "cannot earmark money." But the bankers will have to put their case strongly, for the whole tendency at Washington is against bank aid to speculation and, so far, the contention that business men use collateral to get bank loans for use in their own business has not registered to any extent.

Oppose Reserve Increase

The most violent opposition to date is to the provisions requiring an increase in the country's bank reserves estimated at about $600 millions and boosting bank capital up to 15% of deposits. The best guess at the moment is that these will be sharply modified, if not eliminated.

Meanwhile, there is a wide divergence of opinion on proposed revisions to permit inflation—or "counter-deflation" as Treasury officials prefer to call it. Glass and Bulkley stand against inflation of any sort. Vandenberg, Dickinson, and Wagner would like a little, if it's mild. Those who are worried about the prospects of delay while Senator Glass, the Treasury, the President and the bankers are threshing out their controversies over the Senator's bill are chiefly worried about depositors in closed banks whose relief was one of the objects of the bill. Glass and his supporters take the position that they are not holding up relief by their recalcitrance, pointing out that $200 millions of the funds of

Wide World

GUNPOWDER GOES CONSTRUCTIVE—*Robert Temple, Jr., holds one of his guns which harness gunpowder for constructive rather than destructive uses. This type shoots steel bolts into plates without noise or smoke; another joins cable by pressure so great it fuses the strands*

the Reconstruction Corp. were set aside for such use. This is very annoying to the Treasury, which is anxious to avoid selling any more Reconstruction Corp. debentures than necessary.

Some Senators who want a separate bill for depositors' relief thought the Senator might yield to their wishes if his name were attached to such a bill, leaving his general reorganization of the Reserve system for more careful consideration. But Glass will not stand for this. Asking him to, would be the modern political equivalent of asking Woodrow Wilson to leave the League of Nations out of the Treaty of Versailles.

MORE Washington "news" that comes under the head of pure speculation is the entertaining low-down on just what's going to happen to the Administration's tax proposals at the hands of Congress. Nobody knows just what's going to happen. Predictions of some months ago (*BW—Dec2'31*) are just as good today, except possibly on whether income tax increases will be retroactive. And the best that can be said on that is that the Democratic leadership of the House, strongly backed by the Republicans, is going to avoid making the increases retroactive if it possibly can without wrecking hopes of balancing the budget.

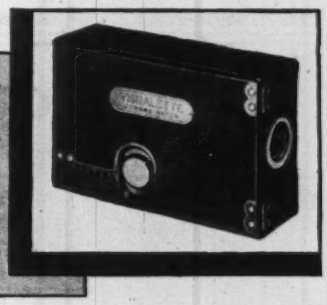
Higher income, inheritance, and estate taxes, with gift taxes to prevent evasions, seem assured. It appears probable now that the exemptions will be lowered. The 5% automobile tax seems likely, stamp taxes on notes, securities and checks less likely. But the emphasis is still on the word "likely."

Blank Cartridges Power New Tool of Many Uses

RESEARCH has at last found a constructive use for gunpowder. With its aid there has now been developed a portable pressure tool of wide application whose action defies accustomed beliefs about explosives and startles the most blasé riveting and welding experts. This is the Temple explosive gun, work on which was begun by the late Robert Temple as a means of gaining access to sunken submarines and has been carried on by his son Robert, Jr., through the Temple Velocity Equipment Co., New York. Many industries are checking up on its possibilities.

By delaying the release of energy produced by burning gunpowder in a confined space until its maximum pressure

America's Leaders Are Getting Increased Business With *Visual* DEMONSTRATION *Right now!*



In difficult 1931, Visual Demonstration proved and is proving again in 1932, that this intelligent, comprehensive, economical, thorough method of intensive selling will get more business quicker and cheaper than any system ever before given a sales organization.

Whether you sell trucks or hairpins, you need to spend a quiet half hour with this new, virile book—"Turning Prospects Into Gold." It tells you what the Visual Demonstration method is, how it works, and how manufacturers are using it to close more business—faster—and more economically—*right now.* It is free to business executives, on request. VISUAL DEMONSTRATION SYSTEM, Inc., McKinley Building, 259 Delaware Avenue, Buffalo, N.Y.

The Visualette Pocket Size Projector Machine dramatizes sales demonstration material. Shows brilliantly illuminated film pictures in home or office. Weighs only 1¼ pounds. Moulded of bakelite. As modern as material of which it is made. No setup required. Always ready to use.

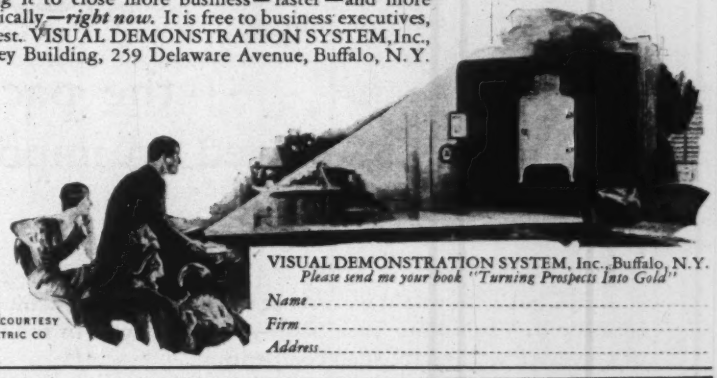


ILLUSTRATION COURTESY GENERAL ELECTRIC CO

VISUAL DEMONSTRATION SYSTEM, Inc., Buffalo, N.Y.
Please send me your book "Turning Prospects Into Gold"
Name.....
Firm.....
Address.....

TO HELP YOU FIND
NEW METHODS

THE OPPORTUNITIES of saving money in manufacturing operations perhaps exist in many places, it is in the finding of these opportunities that money is saved.

Made in one operation from ⅛" cold rolled steel

The Globe Machine & Stamping Co. maintains a practical research department competently experienced to discuss manufacturing operations and material costs with you and to report the possibilities of cost savings that exist.

The illustration shows the possibilities of one operation of an automatic press in the Globe factory. This is a base for an electric motor .... the one operation consists of blanking, drawing, sizing, piercing and trimming.

Investigate the Globe facilities in design and manufacture of pressed and drawn parts for the dollars saved in parts cost and in assembly cost.

THE GLOBE MACHINE & STAMPING COMPANY
1215 West 76th Street .... Cleveland, Ohio

In the quick success of

Billy B. Van's

PINE TREE SOAP

...the package played an important part

THE business world marvels at the quick success achieved by Billy B. Van's Pine Tree Soap—a success won in the face of powerful, well-established competition.

Having created a soap that offers the public something different and distinctive, Billy B. Van used sound, clever merchandising in introducing his product.

Unusual pains were taken in designing the package. A color scheme and design were adopted which instantly proclaim the unusual character of the soap—the wholesome, refreshing atmosphere of the pine forests is instantly conveyed.

The matter of machine wrapping, Billy B. Van put up to the Package Machinery Company. And here is what he has to say regarding our part of the work:

"I want to thank you for the contribution you have made toward the success of Pine Tree products. I also wish to thank you for your wonderful cooperation and service. I sincerely believe that the attractive way our merchandise has been wrapped and packed by your wonderful machinery has added sales value to each and every one of our items."

Bringing new sales appeal to old products

Whether you wish to introduce a new product, or to bring new sales appeal to an established product, the Package Machinery Company, with its wide experience in many fields, can give you valuable assistance. Our packaging experts will study your problem, and give you definite recommendations. Get in touch with our nearest office.

PACKAGE MACHINERY COMPANY
Springfield, Massachusetts
NEW YORK CHICAGO LOS ANGELES
LONDON: Baker Perkins, Ltd.

PACKAGE MACHINERY COMPANY
Over 200 Million Packages per day are wrapped on our Machines

has been reached, then letting it go all at once, Temple guns weighing less than 25 lb. produce tremendous forces for pressure or blows and apply them without noise or appreciable recoil.

Shooting the Work

In projectile guns, such as might be used for forcing studs into water or gas mains under pressure, into filled chemical tanks, for fastening cross arms to steel telegraph poles and similar uses, the projectile uses a break-pin, designed to give way at the maximum pressure developed by the particular charge used. When it breaks, the concentrated force drives the projectile at an estimated speed of 5,000 ft. per sec. and develops pressure of 2 tons per grain of powder used. By such a method powder used in a 38-caliber cartridge develops enough force to drive a ½-in. steel stud through a ½-in. steel plate, and to do many other equally spectacular—and useful—things.

Pressure Welding

A similar tool for pressure jobs such as splicing cables—particularly useful for aluminum which cannot be soldered or on jobs where power or heat is unavailable—employs as an action-delaying device a stud which can be forced into a tube only by the use of a predetermined force, the maximum to be developed by the charge used. When this maximum pressure is released the splicing dies exert such forces that the wires of the cable flow together as if welded and form unions considerably stronger than the original cable. For most cables a 22-caliber blank cartridge is sufficient for the charge.

A third tool, intended for under water use, is similar to the projectile type except for a copper diaphragm near the muzzle of the gun which seals it against water until the projectile is forced through. This device is intended for use in attaching studs to sunken ships so they can be raised, for fastening patching plates on ship hulls without use of dry-docks; for driving pipe nipples through the hulls of sunken submarines so that oxygen and liquid food can be sent to the trapped crew.

Heading Rivets

Only recently out of the development stage, this unique device is expected to find many other uses, particularly in jobs where power for air pressure or welding is unavailable. A small gun for killing beef is one of the most interesting applications thus far. Where air hammers cannot be used a single blow of a Temple gun will head rivets previously inserted in drilled or punched holes.

Reciprocal Tariff Agreements Best Fit Changed World Trade

Old schemes will work no longer, and Congress begins to grope toward new policies

THE United States has begun to grope its way toward new international trade policies.

This is the underlying significance of the Democratic tariff proposals pending in Congress, although their sponsors are not completely conscious of it. Superficially they were offered as an artful political dodge, a gesture designed to offset the charge that while the party has been attacking Republican tariff policy it has offered nothing in its place now that it has come into power, and at the same time to excuse it from the ungrateful task of revising tariff rates at this time.

Beneath the surface of this strategy is a simple fact which both parties are forced to recognize: the old mechanism of international trade control, the traditional blanket tariff devices, high or low or flexible rates, most-favored-nation treaties, and all the ordinary rumble-bumble armament of protectionism, have broken down. Much more refined methods of manipulating external trade currents are called for under world conditions that confront us today.

The volume of world trade has relapsed practically to pre-war figures. Our 1931 totals are less than half those of 1929. The favored items of finished manufactures in our exports, which we thought that foreign countries were forced to take, suffered most. The "favorable" trade balance on which we prided ourselves is dwindling and is likely to disappear this year. Part of this unexpected outcome of our foreign trade adventure is due to price collapse. Most of it is the result of the disappearance of foreign lending which has supported our exports ever since the pre-war period. This flow of funds abroad will not soon, if ever, be revived, and when it does it is sure to be subjected to conscious control, brought into reasonable relation with the balance of trade.

For the first time in our commercial history, after a long period of development as a debtor nation and a brief and disastrous career as a reckless creditor, we are confronted with the fact that international trade rests at bottom on the basis of barter and that in the long run other countries can buy no more from us than we buy from them.

Balance of Trade

This has been brutally brought home to us in the past two years especially by the swift changes in commercial policies forced upon foreign countries by the consequences of the depression. Almost every other nation has been compelled to take a cue from Russia, scrap old methods of trade control, and substitute for traditional tariff policies specific, discriminating devices to bring exports and imports into balance with their internal industrial and currency conditions. Import prohibitions on specific commodities, quota systems, super-tariff rates, special import boards, export agreements and cartel arrangements have multiplied the world over and spread a new network of foreign trade regulations which have displaced and rendered ineffective, without directly destroying, the whole fabric of commercial treaties upon which international trade had been based up to 1929.

Old-Time Protection

In face of this, our own old-fashioned tariff policies and structure of most-favored-nation treaties have become obsolete. The old Punch and Judy show of high versus low protectionism with which Republicans and Democrats have amused themselves has become as dead as the dodo. Production has been supplanted in public policy by considerations of the balance of trade and currency stabilization. Both parties now recognize that this country must fall in line, readjust its policies to the fact that the volume of international trade is doomed to contract and to become highly specialized and selective under increasingly strict control.

From this point of view, the Democratic proposals to call an international tariff conference and to shift control of

Simplicissimus, Munich

OVER THE HILLS TO THE CUSTOM HOUSE—*Every nation wants to sell its goods to other nations but is determined not to buy from foreigners. All exports and no imports make world trade a dull void, according to this German view of the Alice-in-Wonderland situation*

In Columbus

Miss Berenice Hunsinger prefers DUBLTOWLS to cloth towels

She is one of the 70 per cent of the employees of The H. C. Godman Company who chose DUBLTOWLS when both DUBLTOWLS and individual grommeted cloth towels were available to all users in the washrooms.

And the following letter expresses the opinion of the H. C. Godman Company:

THE H. C. GODMAN COMPANY
SHOES
COLUMBUS OHIO

December 14th - 1931.

The Central Ohio Paper Company,
288 No. Fifth Street,
Columbus, Ohio.

ATTENTION: MR. W. H. FULTON

Gentlemen:

Replying to your request as to the outcome of our recent test on DUBLTOWLS, we submit the following facts.

Two washrooms in our general office building were equipped with both cloth and DUBLTOWLS and after three months test we discovered that 70% of our employees used the paper products.

Because of this acknowledgment of their preference for Bay West Towels we have installed them in all washrooms in both factories and general offices.

Very truly yours,
THE H. C. GODMAN COMPANY

DUBLTOWLS are soft and soothing to the skin. So unusually absorbent that one DUBLTOWL dries the hands quickly, thoroughly. Write for details of a comparison test we will gladly arrange for *your* washrooms.

BAY WEST PAPER CO., *Green Bay, Wis.*
—a division of Mosinee Paper Mills Co.

BAY WEST

MOSINEE

DUBLTOWLS

"If it's a brown double towel, it's a BAY WEST DUBLTOWL"

Each DUBLTOWL is *two* sheets of pure sulphate kraft—73 times as absorbent, 4½ times as strong as average paper towels.

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the flexible features of the existing tariff to Congress are futile gestures. International conferences will no longer be able, if they ever were, to deal with the highly technical and specific problems of trade-balance control confronting each country. The flexible tariff idea, so far as it can fit in at all with the new technique, must obviously be left in the hands of specialized administrative agencies, be widely extended and subject to increasing executive discretion. But the reciprocity principle, diffidently offered and finally rejected, is the most significant sign of the drift toward a new tariff philosophy; and if it is accepted the flexible tariff idea will cease to be important.

Controlled Commerce

If the United States starts out in earnest to apply the reciprocity principle in tariff negotiations on specific commodities the whole puzzle picture of tariff policy will be scrambled and put together anew. Behind the blanket rates of the Hawley-Smoot Bill, many of which mean nothing in the protective sense because of our superior competitive power in the domestic market, we can bargain effectively on a barter basis for specific commodities and in special markets as we never have before. Through towering tariff walls now erected around every market, it will be possible to cut holes closely corresponding to the size of the cat's whiskers, so that some of the currents of commerce may again flow under close control.

Most-favored-nation treaties need not interfere, for international trade has become so specialized and is assuming so much a purely luxury character that bargains on specific commodities with specific countries, though they may be automatically extended to others, will give them little actual advantage, create no danger of unmanageable imports and probably increase our exports. Reciprocity tariff bargains are exactly suited to the new trade conditions that have been created as a result of the return to a barter basis, but it is doubtful if the flexible idea is adapted to such conditions, for such bargains once made must remain fairly binding and cannot have much rubber in them.

Japan, "Policing" China, Guards Half Her Foreign Investments

It is 4 months since Japan started out to spank China "for ignoring treaties between the 2 countries." So long as the spanking took place in Manchuria, where Japan has admittedly dominated for 20 years, world "face-saving" protests were confined to the few feeble wags of a reproving finger by the League and a dozen mild notes from foreign offices.

Many of the foreign business and diplomatic residents in China were neither unduly alarmed over nor unsympathetic to Japan's move. So long as personal or national interests were not too heavily involved, foreigners tolerantly looked on, hoped they would benefit from the results.

Shift to Shanghai

When Japan shifted the scene of operations to Shanghai, the situation shifted importantly. There are 3 million people in Shanghai, 45,000 of whom are foreigners other than Japanese. Shanghai is the greatest port in the Far East, handles 51% of all Chinese imports, 35% of all exports.

Invested in this "Paris of the Orient" are $100 millions of American money. Total United States investments in all China are estimated at only $200 millions.

Great Britain has the heaviest investments in China, nearly $1,266 millions. Japan is second with an estimated $1,153 millions.

In the case of the United States, the total is only 2% of the country's entire foreign investments. For Britain, large as the total is, it represents only 5% of total foreign investments. For Japan it is 50%.

"Usual Foreign Policy"

Well-informed members of the business communities in both London and New York belittle the threat of war. Japan, after all, has but been pursuing the general policy of foreign powers in China. The cleanup job in Manchuria, ruthless as it has appeared at times, has already stimulated interest in export circles. Manchurian imports have been very small during the last 2 years. Imports from the United States dropped from $14.3 millions in 1929 to $8.6 millions in 1930. For 1931 they are still smaller.

Further, there is, fundamentally, a unity of purpose, though the more experienced powers no doubt wish the

Japanese would be a little less impetuous in some of their moves, a little more cooperative in others. They may even doubt, at times, whether Japan will know just where to stop without losing the advantages gained in the last 4 months. No one of the powers wants to quarrel with Japan. They held off until they felt China had been sufficiently punished, until their own stakes in the country were threatened. Perhaps they realize that now is the time to get in on the closing conferences. They have done that before, and Japan's ambitions in China have always suffered.

Results of the present conflict will not be clear until the haze of diplomatic formalities lifts. Speculation just now would get further if there were a recognized Chinese government.

Cost of Punishment

So far the Japanese have paid dearly for any benefits they have gained. Tokyo has just released complete year-end trade figures, admits that exports to China last year fell 36%. Though the trade balance was favorable to Japan, it was 81% below last year.

Add to this the expense of sending the army and navy to China, and the prospect of continuing loss of trade in China, and the rewards will need to be large if Japan is to profit.

Britain and the United States, meanwhile, are profiting. To Lancashire has gone large orders for cotton goods normally placed in Japan. To us have come unusually heavy orders for cotton from both China and Japan.

There will be important results to world business from the present affair but they are still matters of speculation.

Germany Warns Industries Against Move to Britain

EUROPEAN NEWS BUREAU—Blatant advertisements in Germany's largest newspapers recently have appealed to German industry to establish branch plants in Britain to escape the tariff. The same thing has happened in other countries but it is a particular source of worry to Germans because of their desperate struggle to meet foreign obligations by an excess of exports.

When it was publicly announced that one of the largest leather manufacturers in the Frankfurt region had contracted to produce in Britain, and when one of the important Solingen hardware manufacturers admitted plans to manufacture in Britain, the important *Boersen Courier* summarized some of the

50 CHANGES OF WEATHER A DAY

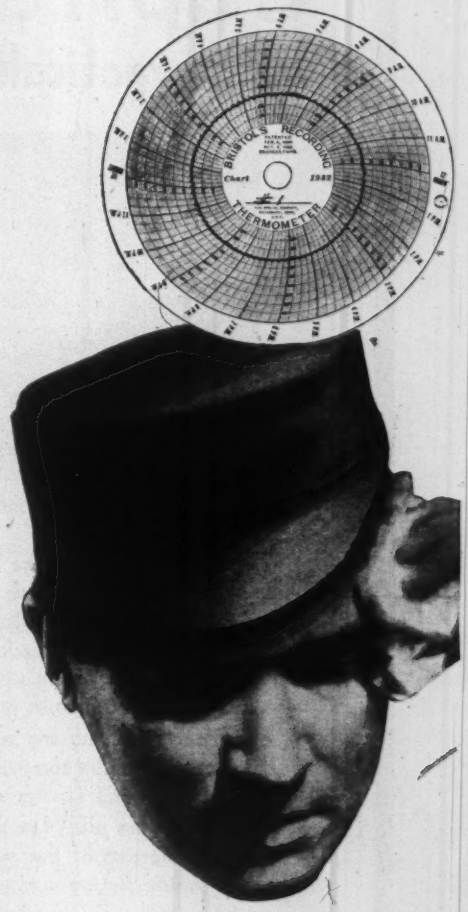
Hardly conducive to comfort, efficiency, good health — to the getting of the most out of factory employees.

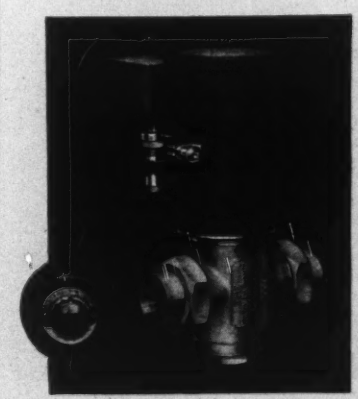
Yet that is exactly the condition that a recording thermometer revealed in one unit-heated plant — a condition that was wasting many costly fuel dollars to produce — a condition that was the result of an improper method of temperature regulation that defeated the purpose of the unit-heater — one that involved a matter of but a few dollars to correct.

The Fulton Sylphon Automatic Unit Heater Control offers a feature that all previous commercial methods of unit-heater regulation failed to offer. Positive, even, room temperature maintenance, not merely by the make-shift method of cutting the fans in and out, but by regulating the amount of steam flow to the unit heater, as well.

Here, the gradual modulating effect of the throttling steam valve corrects temperature fluctuations as they begin to occur instead of afterward. There are no frequent on and off cycles of the fans causing alternate hot and cold blasts. Circulation is maintained which keeps air fresh and directs all heat down to where it can be useful instead of permitting it to gather wastefully at the ceiling. Heavy starting duty on fan motor is greatly reduced. Fuel is saved as heat is conserved. Employees are comfortable, appreciative, well.

Look into this final refinement in industrial heating. Write for Booklet CW-540, today.





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European Representatives, Crosby Valve and Eng. Co., Ltd., 41-2 Foley St., London, W. 1., Eng.; Canadian Representatives, Darling Bros., Ltd., 140 Prince St., Montreal, Quebec, Canada

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FULTON Sylphon FOR TEMPERATURE CONTROL

Turn the item of purchased current expense into a . .

Capital Asset

with practically no investment

THIS is being done in many industries under the Skinner Guaranteed Saving Contract, whereby we furnish "Universal Unaflow" engines, with generators and other equipment, and take a large portion, and sometimes all, of our pay in the savings effected against the former cost of operation with purchased current.

Your payments are made monthly to us instead of to the central station company — that's the only difference — and the proved savings apply on the price of the plant.

When the plant has paid for itself, you start to earn a large portion of the money you had formerly paid to the central station company.

In other words, when the plant has paid for itself, it is yours and you have something to show for the money you have expended for current; whereas, if you had continued to do business with the central station company, all you would have to show, in the same length of time and for the same money expended, would be — another bill.

You have also added to your capital investment the amount of the purchase price of our equipment without its having cost you any money.

One plant saved $16,170.00 on an investment of $40.00. Figure out the interest.

The Skinner Guaranteed Saving Contract Booklet explains how we can save you money

(WRITE FOR YOUR COPY)

"Universal Unaflow" engines are built in the largest plant in this country devoted exclusively to the building of steam engines.

SKINNER ENGINE CO., ERIE, PA.

Branch Offices in all Principal Cities.

shrewd warnings which Germans who believe that the present chaotic condition in world foreign trade cannot last, are broadcasting. Two outstanding points are advanced to cool the enthusiasm of migratory manufacturers:

(1) The advantages now presented by a transfer of production to England may prove to be of a transitory nature since cost of production in Britain is bound to rise and it is uncertain whether the new duties will be maintained;

(2) Manufacturers must not hope that their engineers and workmen will be permitted to stay indefinitely in England. After 6 months, when the British have learned the job, they will be sent home.

France Shows Largest Gain in Unemployment

UNEMPLOYMENT in the United States increased 30% last year according to the International Labor Office.

France recorded the most startling gain in jobless—nearly 566%. New Zealand with an increase of 184%, and Belgium with 128%, show how universal the depression is. Britain and Germany, with the largest number of unemployed in Europe, recorded a comparatively small gain last year. Italy's total was nearly 1 million late in January.

Year-end figures are listed by the Labor Office though it is admitted that varying methods of compiling the data make them valuable as an index rather than an absolute measure.

	1931	*1930*	*% Increase*
	(In thousands)		
Australia (1)	121	90	34
Austria (2)	274	238	15
Belgium (2)	81	37	128
Canada (1)	35	19	80
Czechoslovakia (1)	89	61	44
Denmark (1)	67	44	52
Estonia (3)	5	3	65
Finland (3)	15	10	44
France (3)	124	19	566
Germany (2)	5,349	3,977	34
Great Britain (2)	2,572	2,299	12
Hungary (1)	31	24	28
Ireland (3)	23.4	22.9	2
Italy (2)	909	556	63
Latvia (3)	14	6	125
Netherlands (2)	106	55	92
New Zealand (3)	50	18	184
Norway (3)	35	27	28
Poland (3)	260	210	24
Rumania (3)	44	43	3
Sweden (1)	65	45	44
Switzerland (2)	58	34	41
Yugoslavia (3)	10	7	52

(1) Trade union statistics. (2) Unemployment insurance statistics. (3) Employment exchange statistics.

Business Abroad—Swift Survey Of the Week's Developments

Any improvement in world business was prevented this week by the seriousness of the Far Eastern affair, the Franco-British impasse on reparations discussions, widespread fears of various inflation tendencies, mounting trade barriers. . . . There was no outstanding hopeful factor. . . . Britain is tensely awaiting definite tariff news. . . . France is battling back industrial inactivity and unemployment with futile import restrictions. . . . Germany's currency is weaker. . . . Central Europe's financial structure is under severe strain. . . . Japan's rashness at Shanghai has brought Western intervention. . . . No encouraging factors are immediately in sight.

Europe

EUROPEAN NEWS BUREAU (*Radio*)—More immediate than the unsolved reparations problem is the cancerous multiplication of trade entanglements which is steadily spreading throughout Europe. *The Business Week* has already called attention to them as they cropped up. The present week again is marked by further trade restrictions imposed by France, Sweden, Switzerland, Holland, and Hungary, and by the new exchange regulations promulgated in Germany, Spain, and particularly in Denmark, where all imports are subjected to the requirements of the exchange license control sponsored by the National Bank. And in the ominous offing is the British general 10% tariff. Austria and Hungary already are virtually moribund.

A Solid Front

Not a single country now remains but what, either by exchange restrictions, import embargoes, or prohibitive tariffs, has placed an autocratic control upon all or part of its imports. With the debtor countries dependent on exports for a means of servicing their foreign obligations, but confronted everywhere by impenetrable trade barriers or trade entanglements, it is manifestly only a matter of time before this spreading trade paralysis intensifies the existing financial paralysis to the point at which defaults, already necessitated in certain categories of debts, will become far more general.

The Business Week in its New Year review of Europe wrote that every "probability points toward a period of writing off of bad debts and of reducing fixed charges on the remainder." This forecast now appears close at hand. No concrete prediction can be hazarded but unless something happens to break up existing trade conditions in Germany, maybe in Denmark, and in practically all Eastern countries with the possible exception of Poland and Czechoslovakia, it is inevitable.

Wave Will Move West

Rumania will be forced to declare a general transfer moratorium within 90 days. This will set in motion a wave of repercussions which will first break over Holland, Switzerland, and England, but whose effects to a greater or lesser degree will be worldwide.

European economists are fully aware of the imminence of this intensified crisis, but business, outside of those countries, though already acutely affected, yet reflects little comprehension of this pending new débâcle.

The one-month renewal of the Reichsbank credit, the Bank of England repayment of the Franco-American credits, the greater steadiness of sterling, and the successful rail-wage negotiations in the United States caused favorable reactions in Europe.

Clouds Over Europe

The darkening Eastern situation has added its note of uncertainty but it is one yet without appreciable influence. Nor can its possible effects be appraised accurately. On the other hand, the prospect of a reparations conference—and reparations have become the keystone in the arch of international debts whose perpetuation is the primary cause of the present trade disintegration—is still more uncertain following the failure of diplomatic efforts to reconcile Franco-British views sufficiently to permit the intended MacDonald–Laval meeting.

Meanwhile, the disarmament conference opened under the most unfavorable auspices. The new year optimism, whose persistence in the face of unpromising prospects was a puzzle to observers, appears to be diminishing. Securities are still clinging to their recent better levels, but more for particular, than for general, reasons. Tariff prospects have cheered London, but in Germany, where the stock market is still closed, higher unofficial prices are attributed to the renewed flight of currency as the Reichsbank reserve continues to evaporate. Currency uneasiness probably is similarly responsible for higher prices in Italy and Spain.

In connection with the flurry in wheat prices in the United States due to inadequate snow cover and reports of a cold wave, *The Business Week* made a rapid survey of Europe and found conditions over a wide area parallel to those in the United States. Fall-sown crops, though in good condition, were exposed in such important producing countries as Germany, Rumania, Hungary, and Bulgaria. On the other hand, Russia reports ample snow protection which would increase the importance of this disturbing exporter next year were important damage to the crops suffered elsewhere.

Collaboration by Areas

One feature of the trade situation described above is encouraging. This is the tendency toward economic collaboration by areas. Thus a series of recent French contingents has been apportioned by mutual agreement among the principal European competitors. This is the case in the nitrate, enamelware, radio, electrical equipment, and leather industries. Iron and steel are now negotiating for extension of the steel cartel. While penalizing overseas suppliers and giving rise to substantiated charges of discrimination, the policy, nevertheless, tends toward better internal European equilibrium. Similarly, indications have leaked out that the British government is considering not only a preferential dominion tariff agreement but similar agreements with other countries with which it is economically or financially associated on closer than ordinary terms. The Argentine, the 3 Scandinavias, and Holland, are examples.

Lastly the week's change in the Austrian cabinet is construed as marking the departure away from the politically difficult Anschluss toward a Danubian federation.

Great Britain

Tariff prospects overshadow business. . . . General tone continues to be good though troubles in the Orient have flattened markets, except "war" stocks. . . . Textile strike likely. . . . Few new issues.

LONDON (*Cable*)—Business is generally unchanged. The good inquiry in various lines continues. The whole coun-

try is awaiting debate on the tariff scheme, introduced Thursday, is expecting a 10% duty on all commodities except wheat, meat, and cotton, and certain Dominion imports.

Tariffs and the framing of them have been undertaken with a view to giving the fullest scope for imperial bargaining at the Ottawa conference, now called for July 18. The expectation is that they will be taken bullishly by the market, for not only are industrials expected to benefit but sterling is expected to gain strength. If the anticipated tariff yield of £30 millions can be realized, it is expected that the income tax will be decreased 6d. in the April budget and the old method of collecting—half in January, half in July—will displace the present punishing method of collecting three-quarters of the tax on Jan. 1.

War Scare

The China situation has flattened stock markets but bidding on steel, chemical, and aircraft issues was up. Silver and cotton also went at slightly higher prices, the former on the expectation that there would be large purchases to pay troops. Stock markets were further depressed by the failure of the Australian government to meet commitments for the state of New South Wales despite the obligation of the federal government to honor state debts.

The Lancashire cotton strike has been postponed until Monday, pending further negotiations between workers and owners on the wages-hours question. Danger of a stoppage is serious.

New issues figures are depressing. Normally January is the most active month. Yearly average of new issues is £200 millions. The record month was January, 1929, when the total ran to £47.4 millions. This January brought forth only £2.9 millions, less than one-third of the January, 1930, figure. February, however, opened with the £7 million issue of Electricity Board 5% stock, priced at 95.

International News

JAPANESE REINFORCEMENTS—*More troops to protect the concession in Tientsin, where Japan's investments are heavy. The familiar Texaco background makes it look more like a parade in California than the "occupation" of China*

France

Only iron and steel industry reflect improvement. . . . Government expands quota imports to protect slackening trade. . . . French Line still in financial difficulties. Construction of super *Ile de France* may be suspended. . . . Unemployment mounting rapidly.

PARIS (*Cable*)—With the exception of some slight improvement in the iron and steel industry, the general business trend continues to be one of decreasing activity and rising unemployment. According to the industrial census at the beginning of January, plants employing 100 or more workmen suffered a 13% decrease in the total number of employed workers over the figures for last year, and a threefold increase for those employed on part-time. They now are 52% of the total.

French Line Without Funds

The reluctance of the Senate to approve the government refinancing of the French Line may necessitate suspension of work at the St. Nazaire shipyards on the 2 new liners, the *Champlain,* companion cabin class boat to the *Lafayette,* and the super *Ile de France,* which was planned as a competitor for the Cunard giant on which work was recently suspended. More than 2,500 workmen will be affected. Of the 3½ million tons of French shipping, 768,000 are now idle. This includes 37 vessels belonging to the French Line. Their total fleet includes 101 ships. The financial straits of the Line are daily becoming more urgent.

The Bourse is still resisting the generally pessimistic trend, but is definitely showing signs of nervousness. Local optimism so far has been bolstered by the popular belief that France can continue to resist adverse foreign developments and by the belief that current security levels already have discounted any domestic depression. Reactions of the world depression on French foreign trade and tourism, however, are causing many a Frenchman to question whether the country can hold aloof much longer. Certainly foreign observers are less sanguine over the prospects in recent months.

Import contingents are very much a matter of popular concern in recent weeks. The American Embassy and the American Chamber of Commerce in Paris have protested vigorously the recent discriminatory application of the scheme, particularly on radio and electrical equipment.

Wool Manufacturers Skeptical

The outstanding French reaction came this week when the central wool committee reflected the view of at least a part of French industry by publishing an open letter to the Minister of Commerce cautioning that abusive use of the contingent system would surely invite reprisals from abroad which would result in defeating the very purpose of the plan—which is to reduce the unfavorable balance of trade.

It is entirely probable, however, that France will further develop this system which is coming to have a double-barrelled significance. Not only is it effective in curbing imports, but it affords a bargaining means for closer collaboration between France and her

near neighbors. Such a scheme is ideal so far as it allows for closer economic organization in Europe, but it conflicts seriously with the interests of overseas exporters.

In line with this tendency, and worthy of close observation by Americans, is the development of Franco-German negotiations for economic cooperation. First concrete evidence may be through the steel cartel where discussions under way are expected to lead to closer and wider international cooperation in the iron and steel industries.

Pro-Japanese

The Far Eastern conflict is viewed locally as having little effect on French interests. Nevertheless, sympathy has all along been pro-Japanese. Temperamentally the French are more akin to the Japanese than the Chinese. Following the Chapai episode in Shanghai, however, the fear that concerted Anglo-American action would leave France isolated led the foreign office to issue instructions promptly for diplomatic and military action in collaboration with the powers.

In Paris it is rumored that the Hotchkiss machine gun works is working night and day on Japanese orders. Rumors of private credits for Japan have not been confirmed. Direct credits are improbable, but credits by French firms working on Japanese deliveries are not unlikely since a French embargo on arms shipments is altogether improbable.

Germany

Business depressed. . . . Unfavorable factors are rumors of currency inflation, worsening position of the steel industry, declining tax receipts. . . . Favorable factors are easy money, hope of reopening the Boerse. . . . Unsettled reparations are still in the way of any constructive progress.

BERLIN (*Cable*)—The impasse on reparations and the Far Eastern war clouds coupled with growing domestic worries have tended further to depress German business sentiment this week.

Business and the public have reacted with extreme nervousness to the fresh rumors of devaluation of the mark and also to inflationist banking reform plans. The government statement emphatically denies such plans, while leading business associations and monthly bank reports are earnestly warning against unconsidered currency experiments.

Steel continues to be the point of least resistance. Oberschlesische Huettenwerke, the leading Silesian steel concern, has been forced to refinance itself on a basis of 7 to 1, with the national government and the state of Prussia assuming virtual control of the reorganized company.

Declining tax and railroad receipts contribute to the cheerlessness. The 9% Siemens dividend contrasts sharply with the overwhelming majority of industrial concerns which are passing dividends.

The money market is easy with the private discount now below the official rate, rousing fresh hopes of an early cut in the rediscount rate. The attitude of the Reichsbank, however, is negative because of the strained foreign exchange situation. Not even the new standstill agreement has been able extensively to ease the situation.

Boerse May Reopen

The Boerse committees and stock brokers have started a new campaign for reopening the Berlin stock exchange, claiming that most of the old arguments for keeping it closed have now been superseded and the present situation is injurious to investors and banks. The stubborn resistance of the Reichsbank is gradually yielding to the demand for reopening. Berlin now expects the move to be made by the middle of February although transactions will still be subject to restrictions.

The Soviet trade delegation in Berlin has just released its December trade figures, reveals that Russian orders placed in Germany in that month totaled $5,839,000. This brings the total for the year to more than $221 millions. Inasmuch as Germany can grant no additional credits, future business is likely to be much smaller.

Latin America

Featureless trend in Latin America. . . . Brazil continues coffee destruction. . . . Argentina expects favors under British tariff. . . . Colombia may copy Hoover's "credit bank" plan.

LATIN AMERICAN business is featureless.

The Uruguayan government has sold to private banks 2 million pesos of 6% Treasury bonds maturing in 6 months, and has the option to sell an additional equal sum if necessary to cover the budget deficit. The bonds are rediscountable at the Banco de la Republica up to 50% of their value. Foreign exchange conditions in the country remain unsatisfactory.

Brazil reports no changes from last week's inactivity. Coffee prices are fairly steady as more inferior stocks are destroyed. The milreis fell below 6¢ for the first time in months. Cotton was easy. Imports of fruit from Argentina were the feature of the week. Exports were small.

In Chile there was only a slight improvement in the general situation. Both harvesting and manufacturing reported increased activity, but general economic conditions throughout the country are still unfavorable.

Britain Favors Argentina

The Argentine is slightly more optimistic. Prospects for a share in Britain's trade are brighter. It is even rumored from London that secret negotiations have not been unfavorable to the Argentine.

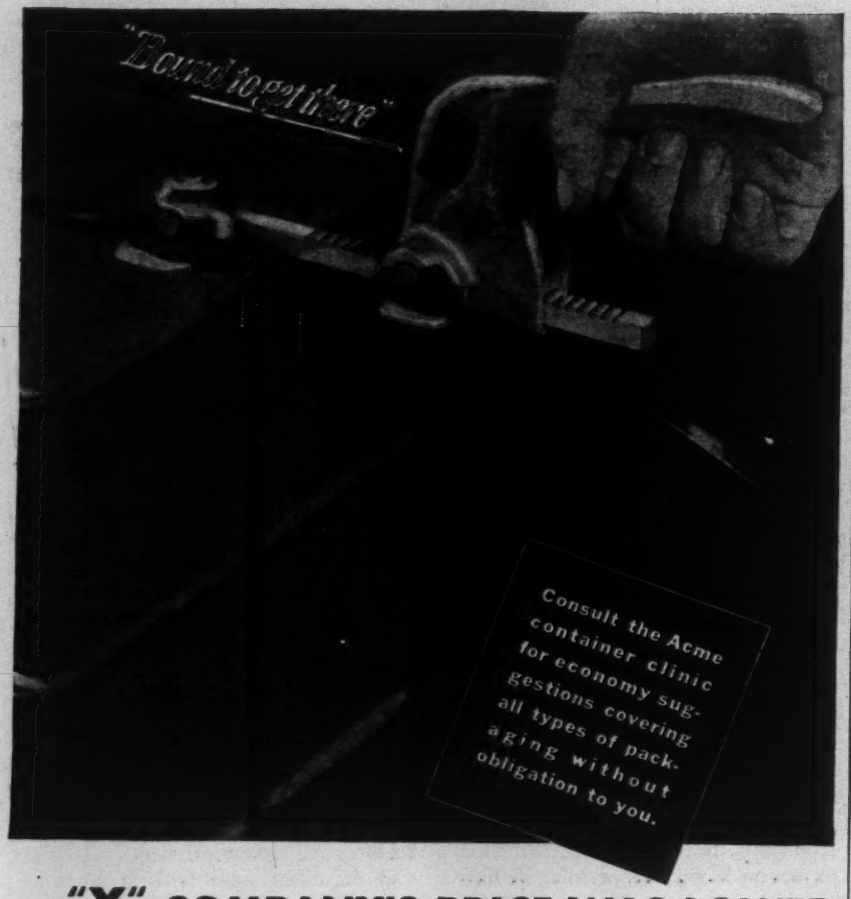
The managers of the various state banks in Bogota have, according to information contained in the Colombian Cable & Air Mail Weekly Service, been considering the organization of a "credit bank" after the style of that proposed by President Hoover in the United States for the purpose of taking over the "frozen assets" of the various banking institutions of the country, so as to make them more liquid. It is planned to offer rediscount privileges on drafts and documents now held in portfolio. Capital will be subscribed by various national and foreign banks of the republic.

Far East

Shanghai situation causes tenseness. . . . Tokyo stock exchange closed temporarily. Yen down. Japanese bonds off sharply. . . . Western powers likely to assist in Sino-Japanese negotiations. . . . Long-term prospects are hopeful.

NEITHER the prospect of a tariff pronouncement from London nor the opening of the disarmament conference at Geneva diverted business attention from the Far East this week. "War" stocks had a small boom in both New York and London, and the yen went down, but neither fact is convincing evidence that serious opinion in either country expects the Shanghai affair to develop into war.

On the spot, sympathy has shifted during the week. During the Manchuria campaign, not a small section of informed opinion backed Japan. Foreign business has been thoroughly disgusted of late with China's inability to act as a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Consult the Acme container clinic for economy suggestions covering all types of packaging without obligation to you.

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unit, to suppress the bandit raids, to present a united, if not a determined, front. When Japan's aggression became ruthless, there was some questioning if China had not been sufficiently punished. Aggressiveness at Shanghai brought Western protests, for vast sums of European and American money, and half of the foreign trade of China, are jeopardized.

Shanghai Business Disrupted

So far no move has been made to block the port of Shanghai, but business is suspended because of the tenseness of the situation. Chinese banks are closed. Silver is selling at a premium. Domestic shops are closed and all small business in native sections of the city is at a standstill. Nanking, Swatow, and Canton are still carrying on small business but on a restricted basis.

Daily events change the outlook. Latest reports from European and American business centers anticipate:

(1) That communism will spread in China as a result of this most recent show of capitalist imperialism;

(2) That Manchuria will be policed by Japan, and the Yangtze valley (perhaps Shanghai to Chungking) by an international patrol;

(3) That Russia will remain out of the struggle (Japan is carefully keeping close contact with Moscow);

(4) That Japan has lost only temporarily a large part of the Chinese market; that the Japanese shrewdly maneuvered the other powers into the argument at Shanghai for their moral support in coercing China, and because Tokyo knew they would share in the benefits;

(5) That the military clique in Japan (whether or not they are completely controlled) have strong financial backing;

(6) That Japan will emerge, sooner or later, a much more important power.

Profits in View

Currently the United States is profiting. Cotton shipments, particularly to the Far East, are continuing in large volume. Orders for automobiles and various machine products are above recent low records.

The prospect that the Japanese government will buy up the complete surplus silk stocks has lent strength to that commodity. Rice prices are up.

The war scare closed the Tokyo stock exchange for one day but it reopened strong later in the week.

Conditions are not likely soon to return to normal in the Far East, but when they do, business leaders anticipate a strong demand for foreign goods.

Figures of the Week And What They Mean

The lack of seasonal improvement in the major lines of production and trade brought the *Business Week* index of business activity to a new low. . . . Steel operations received a setback in what promised to be a moderate revival. . . . Construction activity, while often at a low level in January, has fallen to unexpected depths. . . . The curtailment is especially marked in the public works and utilities group. . . . Currency circulation is too slowly declining. . . . Hoarding is still apparent on an extensive scale. . . . Carloadings failed to increase, chiefly due to a sharp decline in coal freight. . . . Commodity prices continue weak.

THE painfully slow increases in steel operations of the past month now meet a reversal in a reported curtailment of activity for the week of Feb. 1. Dow, Jones estimates that the industry is operating at a little over 26% of capacity compared with 28% the preceding week. Since such a setback is contrary to the usual seasonal expansion of this period, our adjusted index declined to 35% of normal compared with 38% the preceding week. Last year, steel ingot activity had risen from 36% of capacity in the first week of January to 47% at the close of the month. January, 1932, opened at 22%, reached a high of 28%, and is now closing at 26%.

Trade papers are not as one in their appraisal of the prospects for the industry in February. Some are inclined to feel that the much-talked-of seasonal expansion will receive a strong impetus in the next few weeks. Others point to the delay in automobile orders, the poor prospects for public works by both governmental and private agencies, and the cautiousness with which railroads will be compelled to order materials in spite of the savings expected from the recent wage cut, and the aggravating price situation.

Considerable variation in activity from one area to another is still characteristic of the steel situation. Some plants are able to operate at 50% of their capacity, while Pittsburgh is around 22%. According to *Iron Age*, the better operation rates were due to orders from the automotive industry. Electric refrigerator concerns have also aided some sheet mills.

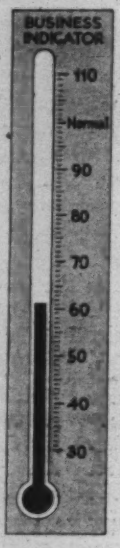
Automobile Production

Automobile production in the United States and Canada for December is officially reported at 123,965 units compared with 70,114 in November. This is equal to a 77% gain for the month, but it runs 23% under a year ago. Annual output for 1931 totaled 2,472,351 units, a 30% decline from the 1930 production of 3,510,178. Estimates for January, 1932, run as high as 140,000 vehicles, while February is rated at 175,000 cars, in spite of the slow resumption of activity by Ford. Concessions on automobile steel orders are still given.

Iron Age is inclined to feel that the major programs of the railroads will be postponed to the last half of the year. Freight increases will be necessary to restore the buying power of the roads,

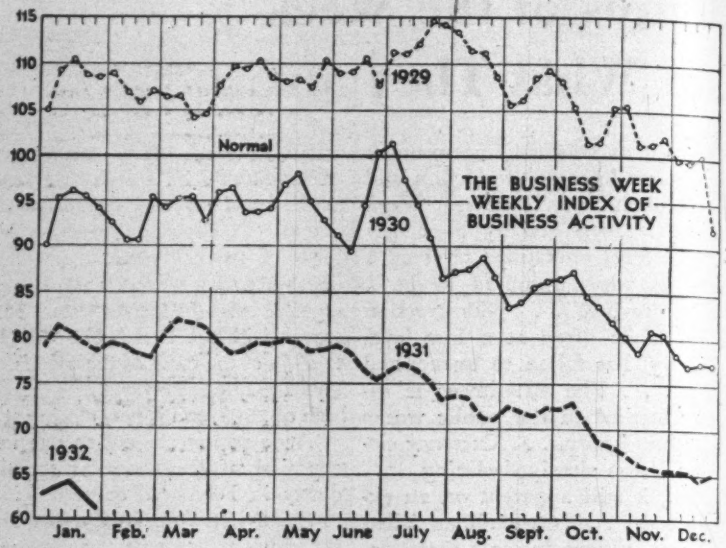
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average 1927-1931*
	*61.2	†62.4	78.8	.....
PRODUCTION				
Steel Ingot Operation (% of capacity)	26	28	47	74
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$4,273	$4,708	$9,591	$14,964
Bituminous Coal (daily average, 1,000 tons)	*1,064	1,148	1,473	1,882
Electric Power (millions K.W.H.)	1,589	1,598	1,687	1,647
TRADE				
Total Carloadings (daily average, 1,000 cars)	94	96	119	145
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	62	63	74	88
Check Payments (outside N. Y. City, millions)	$3,076	$3,592	$4,162	$5,067
Money in Circulation (daily average, millions)	$5,617	$5,632	$4,581	$4,664
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.51	$.54	$.69	$1.14
Cotton (middling, New York, lb.)	$.067	$.067	$.105	$.157
Iron and Steel (STEEL composite, ton)	$29.92	$30.00	$31.69	$35.19
Copper (electrolytic, f.o.b. refinery, lb.)	$.065	$.072	$.094	$.142
All Commodities (Fisher's Index, 1926 = 100)	64.5	65.2	77.2	91.7
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$1,822	$1,824	$976	$1,201
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$19,995	$20,052	$22,596	$21,573
Commercial Loans, Federal Reserve reporting member banks (millions)	$7,262	$7,303	$8,374	$8,635
Security Loans, Federal Reserve reporting member banks (millions)	$5,596	$5,632	$7,379	$6,996
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$505	$513	$1,716	$3,470
Stock Prices (average 100 stocks, Herald-Tribune)	$91.64	$92.67	$137.09	$152.55
Bond Prices (Dow, Jones, average 40 bonds)	$79.28	$80.58	$95.77	$96.25
Interest Rates—Call Loans (daily average, renewal)	2.5%	2.5%	1.5%	4.2%
Interest Rates—Prime Commercial Paper (4-6 months)	3¾-4%	3¾-4%	2¼%	4.3%
Business Failures (Dun, number)	812	855	660	583

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



and this item outweighs the importance of the savings on wages. Some rail and repair materials can be expected, but the volume of purchases will undoubtedly be curtailed. Pressure to reduce the $43 a ton price for rails is being exerted. This price has remained unchanged since October, 1922.

Pig iron production in January declined less than 1% from December, in spite of an increase in the number of furnaces in operation. Though pig iron and steel production often move in similar directions, it is not expected that steel output will fall below December on this occasion.

January Construction

The report on January construction in the 37 states as reported by F. W. Dodge for the first 18 business days of the month is much less cheerful than had been expected. That January would be below December had been taken for granted, but that it would run more than 30% below the preceding month had not been expected. Since the week ending Jan. 1 when our adjusted index stood at 35% of normal, there has been a steady decline to 33%, 31%, and 29% of normal in the succeeding weeks. The severest decline from December and from a year ago appears in the group public works and utilities—a reflection of economy drives and poor financing prospects.

From Jan. 2 through 22, the total volume of contracts awarded aggregated but $65,469,100, equal to a 31% decline from the December daily average and 59% from the January, 1931, average. The smallest volume of this total comprised the awards for public works and utilities valued at $19,003,000. On a daily basis, these awards were 45% smaller than in December and 71% smaller than a year ago.

Residential contracts amounted to $20,428,200 which is an 18% decline from December and 46% from January 1931. The largest group from the point of view of the value of awards was the non-residential with a total of $26,037,900. However, this is equal to a 25% decline in the daily average from December and 52% from January, 1931.

Coal production has begun the spring curtailment without reaching much of a peak. Our adjusted index for the week of Jan. 23 stands at 47% of normal; it was 51% the preceding week.

The decline in electric power production is partially due to the lengthening days, but reflects chiefly the low level of industrial activity. Our adjusted index remains unchanged at 77% of normal.

The large decline in coal shipment during the week of Jan. 23 offset the moderate increases in several other types of freight. Miscellaneous freight suffered the second largest decline for the week. Our adjusted index which is based on this group plus merchandise classed as less than carlot moved slightly downward to 61% of normal compared with 62% the preceding week.

The usual decline in bank debits for the week of Jan. 27 amounted to little over 14%, a somewhat greater decline than occurred between comparable weeks last year. Our adjusted index dropped one point to 70% of normal.

The return of currency to circulation is proceeding more slowly than government officials had hoped. The President himself has recently issued a plea for the relaxing of hoarding, which has been estimated to amount to $1.3 billions. This year the decline from the January peak amounted to only $63 millions, compared with $328 millions in 1931, $317 millions in 1930, and $268 millions in 1929.

Commercial loans continue to decline, but the persistent decline in wholesale prices tends to lift our adjusted index to 15% above normal.

Commercial Failures

Business defaults remain on a high level. January has set a record in the number of defaults and liabilities involved. More than 56% of the total liabilities of $96,860,205 is composed of failures with liabilities of $100,000 or more in each instance.

Weakness was characteristic of the major commodities in the past week. Cotton prices were irregular, rising with reports of lower Indian production and exports to the Far East, and with the news that production curbs were meeting opposition and failure, and that insurance rates to the Orient were being increased. Wheat prices have moved irregularly upward under the threat to the crop by low temperatures as well as the unsettled Far Eastern situation. Corn, hides, rubber, cocoa, hogs, and sugar declined. Coffee and silk prices strengthened.

The non-ferrous metal markets were quiet in spite of the bait of lower prices. Copper declined to 6¼¢ a pound. Zinc continues to establish new all time lows. Tin and silver fluctuated with news from the Orient. Lead was fairly steady.

Trends of the Markets In Money, Stocks, Bonds

Foreign gold withdrawals and domestic hoarding complicated monetary problems, but the declining rate of deflation indicated some progress in their solution. . . . The securities markets were dull, inclined toward price weakness as speculators and investors waited to see what is going to happen.

Confused Credit Picture Shows Deflation Curbed

MONETARY developments of the week tell a story whose plot contains strains both of hopefulness and of increased uncertainty so mixed and intermingled as to prevent conclusions.

On the one side, are the decelerated rate of credit destruction and deflation, a currency rise indicating at least a normal seasonal demand from business, and signs of some attempt to solve international difficulties.

On the other side are evidences of new hoarding, destructive action by France, a still hesitant Federal Reserve system, and continued lack of aggressiveness by banks.

Heavy Gold Movement

Gold movements in considerable volume attested continued foreign distrust of the United States. Against imports of $4.2 millions foreigners, chiefly France, withdrew $47 millions. Of the withdrawals, over $21 millions came from metal already earmarked and the balance was a net loss of gold by this country. New York banks attempted to check the export of gold coin for foreign hoarding.

Exchanges generally moved against the dollar, reflecting continued lack of confidence in us. Yet some nations increased their short-term funds here.

Domestically a $42-million rise in currency in circulation brought a demand for funds in addition to the gold losses. The currency pickup was largely seasonal, though it was enough above the increase for February's first week in the last 2 years to indicate that some new hoarding had occurred. This doubtless explains President Hoover's statement inveighing against hoarding.

Reserve Credit Rises

The combined demand of gold losses and rising currency brought some increase in Federal Reserve credit. However, this increase did not counterbalance the demand, and member bank reserves fell still further.

The rise in Reserve credit occurred through borrowing by the member banks, nearly all of it in New York City. The New York banks were, of course, those on which the demand for gold fell chiefly. In addition, they purchased a large volume of government securities, presumably of the new issue, and increased their loans to out-of-town banks. The currency rise, therefore, seems to have been supplied indirectly from New York.

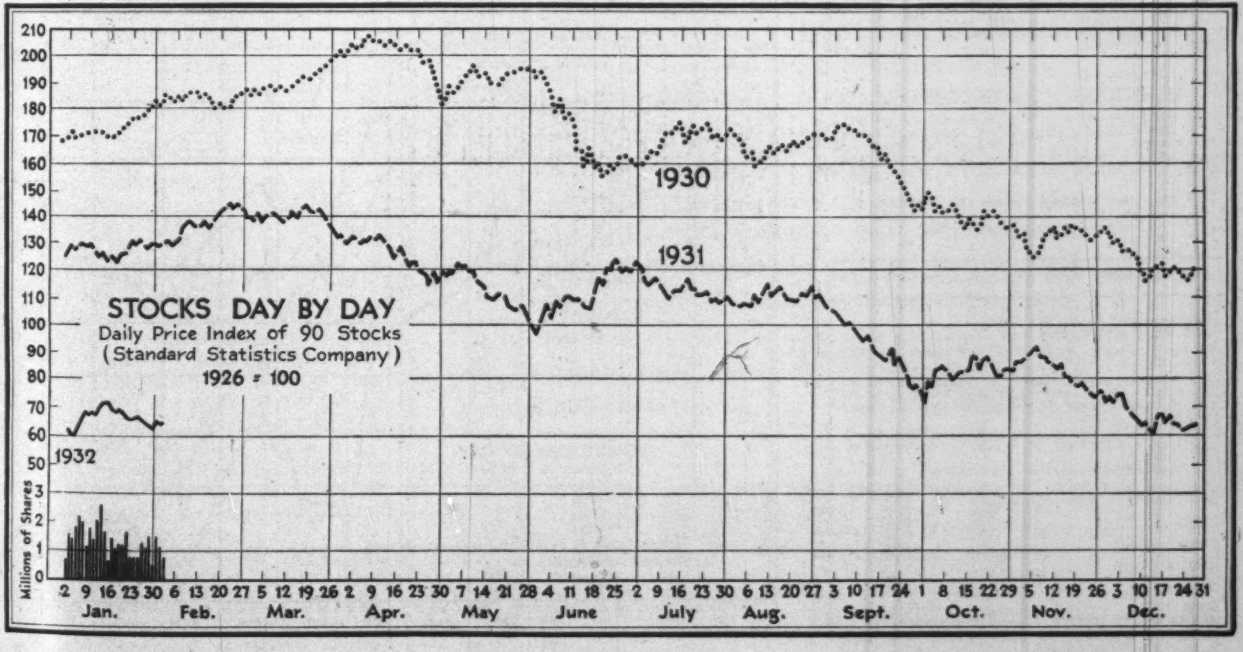
The latest figures for weekly reporting member banks throughout the country, covering the week preceding that of the above-discussed figures, showed a further decline of credit of $57 millions. This is a much smaller weekly fall than for some time.

These changes were not reflected in money rates except for a tightening of the quotation for Federal Reserve funds. Meanwhile, the Reconstruction Corp., getting under way, is reported to have made a large number of loans. The effect of such activity may show up in altered monetary trends later. Mr. Mellon's appointment to London is taken by many as an encouraging development. The popular theory is that he will be in position to attempt further to solve the troubling international questions.

France's rapid repatriation of her funds was startling this week. Her gold at home rose about 1 billion francs.

Stocks Await Bigger News Than Rail Wage Cut

EXCEPT for a slight flurry resulting from the final agreement on the 10% railroad wage cut, the stock market this week was even more completely in the doldrums than business. Traders made



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a brave pretense of activity, but to no avail.

The rail wage cut stood out in the week, and caused a fairly vigorous marking up of rail stocks on Monday. But the move didn't hold; as a matter of fact, the average for rail stocks compiled by Dow, Jones lost 5% in the week. The industrial average gained ½% and utilities lost 0.07%. Next to the rail wage agreement, General Motors' dividend action attracted most attention. After the close Wednesday the directors announced a reduction from $3 to $2 per share and Mr. Sloan's comments were interpreted by some as indicating that further dividends were questionable unless business improved. There have been some indications that short selling is increasing in volume.

Must Be Shown

The current lethargy makes it obvious that the market is still unenthused about the Reconstruction Finance Corp. and all the other governmental measures. Business and earnings are bad, and the Wall Street has still got to be shown that these government measures are going to improve them. At present, it seems to be awaiting more definite indications, drifting gradually lower in the meantime.

So long as prices remain within such a narrow range speculators lack a clue as to future action. An approach to a previous high—or low—point will be regarded as a signal and watched with increasing interest.

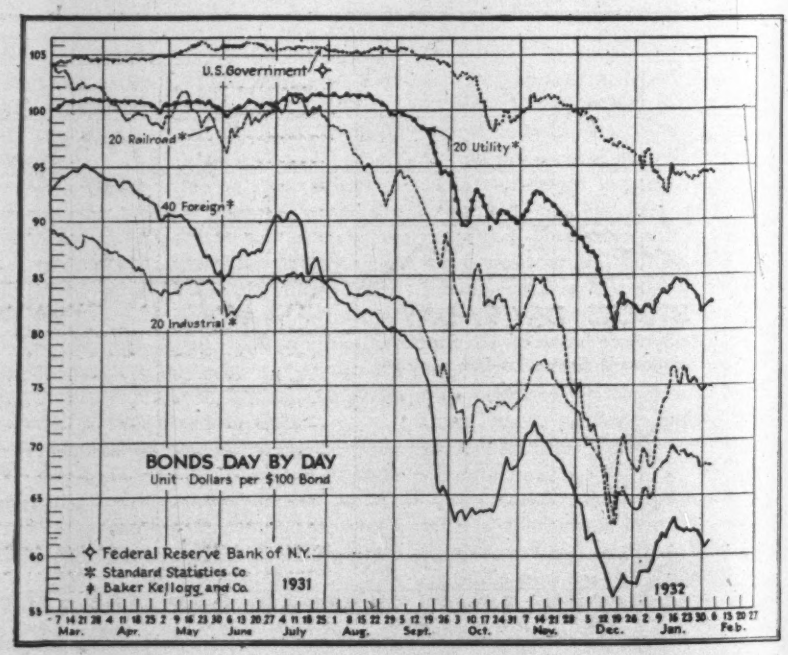
Prices still are fairly well above the all-depression lows reached early in January. Rails make the best showing in that comparison, up 18.9%. Industrials are 9.8% higher, and utilities 6.2% higher.

Bond Buyers Are Hopeful But Practical

BOND prices are sticking to the cold business and financial facts as investors see them. Business, earnings, and prices are all low and so is the supply of investment funds. Whatever the signs of improvement they are not yet apparent to investors. So bond quotations, excepting on governments, drifted lower in a dull market this week.

Contrasted with the facts are the hopes of what the Reconstruction Finance Corp. and other governmental and private attempts may accomplish. But, to date, hopes have neither increased investment funds nor helped business. All that has been done this far, as previously noted, has been the stoppage of necessitous selling.

Bond prices also are being affected adversely by the issuance of such new securities as are appearing. These are of the highest grade, and have been floated at highly attractive rates in order to interest those with funds. The result is that some have sold less attractive issues to get into the new ones. And some funds that otherwise would go into the market at the present are being withheld awaiting new government and other issues which are certain to carry high rates.



Wide Reading

JAPAN'S ECONOMIC PREDICAMENT. Robert W. Bruère. *Harper's*, February. Bread-and-butter incentives behind Japan's aggression in the Far East.

HOUSING: THE NEED. *Fortune*, February. Frank, analytical study of the inadequate housing facilities in this country.

GENEVA TO AMERICA. William Martin. *Virginia Quarterly Review*, January. Disarmament is not just a military problem. Its political ramifications are significant, need to be reviewed before February's conference can be understood.

MOVING TOWARD MONOPOLY. Lawrence M. Hughes. *Scribner's*, February. Amazing figures on the growth of central control in this country, and the individuals behind the scenes who have fostered it. Will the future course of monopoly in this country be private capitalism or state socialism? Two automobile companies do 75% of the unit volume; 1 tire company can supply the entire market; 1 company does 40%, 3 do 78% of the American soap business; 1 of 1,200 telephone companies does 90% of the entire business.

A DAY WITH THE RADIO. Robert Littell. *American Mercury*, February. Another rap at radio programs, and a hint of what the disgruntled but incoherent listener wants.

AT LAST—A PIANO COMPANY LEARNS TO SELL. Lucien Wulsin. *Sales Management*, Jan. 30. Piano sales went up 245% when Baldwin worked out a policy. A lesson learned from the automobile industry.

INTERNATIONAL TRADE IN 1930 AND 1931. J. J. Kral. *Commerce Reports*, Feb. 1. Breakdown of world trade figures for 1931; just released.

WORLD PRODUCTION AND WORLD PRICES. *Labour Research* (London), January. Brief study, with tables, of the international production index of 7 major countries, and of the decline in wholesale prices in 12 countries.

WHERE WILL THE PRIVATE BRANDS STOP? V. H. Pelz. *Printers' Ink Monthly*, February. A list of carefully considered marketing factors which is causing distributors to oust their private labels.

BOOKS

BUSINESS MACHINES. Perley Morse. Longmans Green, 281 pp., $3.75. Story of the development and application of office mechanisms and devices. Directory of manufacturers. Catalogue of representative machines.

THE EPIC OF AMERICA. James Truslow Adams. Little, Brown, 433 pp., $3.75. Outstanding non-fiction of 1931. American history in one volume, from a point of view likely to interest the executive.

WHAT IS FASCISM AND WHY? Edited by Tomaso Sillani. Macmillan, 349 pp., $5. Italy under Fascism described by authorities. Valuable chapters on finance, bank organization, industry, and the merchant marine. Includes data through 1930.

ECONOMIC BEHAVIOR. Atkins, McConnell, Edwards, Rauchenbush, and others. Houghton, Mifflin, 2 vol., $8.50. An institutional approach to economics, with emphasis on the customs and institutions of modern society which influence economic behavior.

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

February 10, 1932

Another Moratorium

THE railroads are now unique among our industries. They have been permitted by the public to raise rates and by the labor unions to lower wages. This is not because the country would otherwise be deprived of transportation service. It is because the value of their securities has fallen and thereby threatened the safety of banks and insurance companies which have invested the savings of the public in them. It was done to save our financial institutions, not to save our railroads.

This, of course, is sufficient reason. It is the first and fundamental step in the program for stopping the deflation process, an indispensable preliminary to reconstruction of our credit system and recovery of confidence. The railroad workers recognized this, and their prompt cooperation in accepting temporary wage reduction deserves public appreciation as an act of self-sacrificing statesmanship. But it settled no fundamental issues regarding either the position of labor or of the railroads. The historic document in which they stated their case makes it plain that these issues are only postponed.

The immediate outcome is merely a moratorium on the problems of railroad management and the position of the railroad workers and investors. How long this moratorium will be extended no one can say, but the readjustment cannot be indefinitely deferred.

Nothing can sustain the value of railroad securities save increased traffic. Rate increases and wage reductions will not bring that. Only business recovery can. We hope a stronger banking situation and better bond market will bring such recovery. But it is not hastened by cutting the purchasing power of a million and a half workers who even in 1929 averaged less than $2,000 a year. Railroad workers are consumers of railroad service. They buy more of the things the railroads carry than do those who receive interest and dividends on railroad securities. Only so far as their sacrifice releases a corresponding amount of purchasing power somewhere else can it be effective.

But the problem goes deeper than that. These workers are highly skilled, specially trained, irrevocably attached to the industry, almost as useless for any other purpose as a locomotive or the rails it runs on, and quite as much a part of the industry's equipment. They feel that they have as much a vested interest in the industry as any security holder; that security of employment is as sacred as security of investment. It was for recognition of this that they contended. Present railroad management could promise nothing, but the demand is in the record and will be heard again.

It becomes clearer that if, even in so old, advanced an industry, security of employment and labor income cannot be assured, neither can security of capital investment or management. The railroads are faced with far-reaching readjustments which no sacrifice by their workers can avert. They are handicapped by a capital structure overweighted with fixed charges, thousands of miles of superfluous trackage, enormous wasting assets of useless structure and obsolete equipment, unnecessary competitive services, inefficient operation, and insufficient cooperation. The inroads of new forms of transportation alone will force a profound revolution in the railroad industry.

No moratorium can permanently postpone the pains and penalties of progress in this or any other field. Nothing can prevent the writing down or writing off of capital investment in excessive or obsolete equipment in this or any other industry. There can be no such thing as a standstill agreement on the effectiveness of management and organization or its constant improvement. We should not suppose that the wage-cut has conferred immunity upon the railroads in any of these respects.

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